

PREPARING FOR THE EMERGING TEXAS

Report on the Effectiveness and Efficiency of State Financial Aid Programs
to Help Close the Gaps in Participation and Success

Texas Higher Education Coordinating Board
August 2004

Texas Higher Education Coordinating Board

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Coordinating Board Mission

The mission of the Texas Higher Education Coordinating Board is to work with the Legislature, Governor, governing boards, higher education institutions and other entities to provide the people of Texas the widest access to higher education of the highest quality in the most efficient manner.

THECB Strategic Plan

Coordinating Board Philosophy

The Texas Higher Education Coordinating Board will promote access to quality higher education across the state with the conviction that access without quality is mediocrity and that quality without access is unacceptable. The Board will be open, ethical, responsive, and committed to public service. The Board will approach its work with a sense of purpose and responsibility to the people of Texas and is committed to the best use of public monies. The Coordinating Board will engage in actions that add value to Texas and to higher education; the agency will avoid efforts that do not add value or that are duplicated by other entities.

THECB Strategic Plan

The Texas Higher Education Coordinating Board does not discriminate on the basis of race, color, national origin, gender, religion, age or disability in employment or the provision of services.

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EXECUTIVE SUMMARY

Senate Bill 286, passed by the 78th Texas Legislature, Regular Session, directs the Texas Higher Education Coordinating Board to study the state's financial aid programs and "... make findings and recommendations regarding methods for reducing administrative burdens and increasing participation in student financial aid programs to maximize the value of those programs to the state. . ." By November 1, 2004, the Coordinating Board must recommend legislative action "... to consolidate, expand or otherwise modify existing student financial aid programs."

In requiring this study, the Legislature recognized that if Texas does not successfully close the gaps in student participation and success in higher education, the state faces a bleak future of declining economic and social prosperity. National studies indicate that financial aid is one of the best methods of encouraging student participation and success in higher education, especially among underrepresented populations that frequently do not have the financial resources to participate otherwise.

Unfortunately, the administration of financial aid is one of the most complicated and labor-intensive activities undertaken by higher education institutions. Students and their families find the process intimidating. In addition, state funding for financial aid is limited. These factors inhibit the potential for state financial aid programs to maximize participation and success. The more steps the state can take to better align financial aid resources with the goals of the state's *Closing the Gaps by 2015* higher education plan, streamline the process of obtaining financial aid for students, and reduce the administrative burden for institutions, the more successfully it can use financial aid to close the gaps in participation and success.

This report is based primarily on the findings and recommendations of a Financial Aid Steering Committee composed of financial aid experts appointed by the Commissioner of Higher Education. The report is organized along the following four basic issues:

- I. **Creating and Nurturing the Desire and Skills to Attain a Higher Education:** How can Texas reach students and parents and motivate them to aspire to and prepare for a higher education?
- II. **Navigating the College Enrollment Gauntlet:** After students aspire to higher education, how can Texas help them successfully clear the administrative hurdles to entering college?
- III. **Exploring State Financial Aid Funding Options:** What should be the state's goal in funding financial aid programs?
- IV. **State Financial Aid Programs:** What programs does Texas now have, and how can they be improved to be more efficient and effective in promoting participation and success?

The findings and recommendations in this report are summarized below. Supporting information and detail on the strategies necessary to implement the recommendations are provided in the full report that follows.

I. Creating and Nurturing the Desire and Skills to Attain a Higher Education

Findings:

- The earlier students and parents understand that college is affordable and that resources are available, the more motivated they are to make academic choices that prepare them to succeed in college.
- When students become aware of the options that higher education can provide, they more actively seek education.
- Decisions made about which courses to take in middle school affect course options in grades 9-12 and the ability of students to prepare for college. However, middle school students are not necessarily in a position to make informed decisions about course selection. This information and motivation should be provided by those who influence them most – parents and counselors.
- When knowledgeable people help students through the process of applying for admission to college, the number of students enrolling in college increases.
- Students and parents need a reliable source of information about college preparation, admissions and financial aid.
- The College for Texans Campaign provides a vehicle to deliver messages about college affordability and preparation and to motivate students to attend and succeed in college.

Recommendations:

A. Develop the Messages

1. Develop a dedicated funding source for state financial aid so that program funding can be continuous and predictable and provide a basis for motivating students to attend college.
2. Establish the state's Financial Aid Information Center, made up of the www.collegefortexans.com web site housed at the Coordinating Board and the 1-888-311-8881 toll-free call center housed at Texas Guaranteed, as the central clearing house for financial aid-related materials.
3. Direct the Coordinating Board to work with professional organizations throughout the state to coordinate the development and delivery of comprehensive training for counselors, teachers and others involved in outreach so that the message that is being delivered is correct, up-to-date and complete.

B. Deliver the messages

1. Require the P-16 Council to develop a college-readiness curriculum for students in grades eight through twelve; implement the curriculum in all public schools by 2008.
2. Continue and expand the Coordinating Board's Higher Education Assistance Pilot Program and First Generation College Student Initiatives.

3. Encourage the Texas congressional delegation to support provisions of the College Access and Opportunity Act (or similar legislation) that would:
 - a) Help distribute financial aid information to low-income families; and
 - b) Reauthorize and strengthen all federal college access programs for low- and middle-income students, including TRIO and GEAR UP.
4. Raise public awareness about aid for college by creating a financial aid month.
5. Establish a Texas Super Goal Sunday, to be held annually on the Sunday after the Super Bowl. Encourage all institutions of higher education to open their campuses from 1:00-5:00 p.m. and provide students and parents free, professional assistance with completing the Free Application for Federal Student Aid (FAFSA), the main document for applying for federal or state financial assistance.
6. Continue state support for the College for Texans Campaign.

II. Navigating the College Enrollment Gauntlet

Findings:

- The process of applying for financial aid is complex and intimidating. Students and parents must complete the four-page Free Application for Federal Student Aid (FAFSA) to be considered for most federal, state, or institutional financial aid.
- Although the process of applying for admission to public universities has been greatly simplified through the development of the statewide common application (available at www.ApplyTexas.org), the majority of students enrolling during the next two decades are expected to begin their studies at community colleges. At present, each of those institutions has its own unique form.
- College registration for entering freshmen typically occurs in August, prior to the start of the state fiscal year. As a result, no state financial aid funds can be made available to students, even if they have been awarded aid by their institutions.
- The state's emergency loan program is restricted to payment of tuition and fees, but new students cannot successfully begin the fall term if they do not also have resources for purchasing books and supplies.
- Although public institutions have authority to allow students approved for financial aid to register and pay tuition and fees on an accounts-receivable basis, some institutions do not offer students this option. Many families have cash flow difficulties that make these initial charges very difficult to meet.
- The state's installment plan for payment of tuition and fees offers only two options – payment in full prior to the start of the term or payment of one-half prior

to the start, followed by two additional payments of one-fourth of tuition and fee charges. More flexibility is needed.

Recommendations:

A. Related to College Admissions

Continue to expand the common admissions application initiative started in 1997 to include a form for community colleges.

B. Related to Applying for Financial Aid

1. Encourage the Texas congressional delegation to support federal efforts to simplify the Free Application for Federal Student Aid, especially for low-income students.
2. Develop and provide comprehensive financial aid training for counselors, community-based organizations and others so there is a reliable and consistent source of information.
3. Continue and expand the Higher Education Assistance Program and First Generation College Student Initiatives so more students will learn of financial aid through these outreach programs.

C. Related to Being Assessed as Part of the Texas Success Initiative

1. Encourage students who meet the high school graduation requirement of the Texas Assessment of Knowledge and Skills (TAKS) but who fall short of the college readiness standard to use their senior year to become college ready.
2. Require the Texas Education Agency to provide high school seniors with the opportunity to re-take the Texas Assessment of Knowledge and Skills at no or low cost so they have another chance to meet the college-readiness standard.
3. Use the state's comprehensive training system to provide counselor training about the Texas Assessment of Knowledge and Skills and Texas Success Initiative requirements.

D. Related to Paying Direct Costs (Tuition, Fees, Books and Supplies)

Help students pay fall tuition and fees and purchase books and supplies.

1. Require institutions to allow students waiting for disbursement of financial aid to register on an accounts-receivable basis.
2. Make state financial aid funds available at the start of the academic year in August.
3. Expand the state's emergency tuition and fee loan program to allow awards to students for books and supplies.

4. If funding in the emergency tuition and fee loan program is limited, allow institutions to give priority to needy students.
5. Adjust the state's tuition and fee installment plan to provide more payment options to all families.

III. Exploring State Financial Aid Funding Options

Findings:

- Once in college, many students need financial assistance to meet living expenses.
- Financial assistance can be delivered in several different forms.
- There are no industry standards for the ideal mix of financial aid types.
- Texas' neediest students are receiving the greatest amount of gift aid but still have the greatest amount of unmet need.

Recommendation:

A. Texas should set its future financial aid funding goal to at least equal the "equity" goal suggested by the Lumina Foundation.

IV. State Financial Assistance Programs

Findings:

- Texas has many good financial aid programs.
- The state's programs need additional funding in order to be fully effective.
- The TEXAS Grant and Texas B-On-Time Loan Programs can address the needs of an important portion – but not all – of the state's student population.
- Changes to certain programs can improve program operations and/or allow the state to provide better service to its students.
- The introduction of additional merit requirements to state programs can interfere with state efforts to provide equal educational opportunity.

Recommendations:

A. Related to Major State Programs

1. Retain and fully fund the major state financial aid programs:
 - Toward EXcellence, Access and Success Grant Program (TEXAS Grants);
 - Texas B-On-Time Loan Program (BOT);
 - Toward EXcellence, Access and Success Grant II Program (TEXAS Grant II);

- Texas Public Educational Grant Program (TPEG);
 - Tuition Equalization Grant Program (TEG); and
 - Texas College Work-Study Program.
2. Apply the TEXAS Grant and BOT Loan Programs in tandem, with students receiving TEXAS Grants during their first two years of college (first three years, if they acquire an associate's degree), and then receiving BOT loans for the balance of their studies.
 3. Allow students who enter the TEXAS Grant Program based on seventh semester high school transcripts to continue in the program if they then meet the program's college academic progress requirements.
 4. Change the academic progress requirement for the TEXAS Grant II Program to conform with those of the TEXAS Grant and BOT Loan Programs.
 5. Change the employer contribution requirements of the Texas College Work-Study Program to match those of the much larger Federal Work-Study Program.
 6. TEXAS Grant II Program.
 - a) Provide the same hardship provisions for students receiving awards through the TEXAS Grant II Program as are available for students in the TEXAS Grant Program.
 - b) Rename the TEXAS Grant II Program to eliminate confusion with the TEXAS Grant Program.
 7. Hinson-Hazlewood College Student Loan Program (HHCSLP).
 - a) Extend the program's statutory authority to allow the use of the federal Lender's Special Allowance to pay not only for administering loan and grant programs but also to fund awards to students through the TEXAS Grant or other state financial aid programs.
 - b) Expand the HHCSLP definition of "eligible institutions" to include alternative teacher certification programs offered through Regional Service Centers and other entities.
 - c) Adjust HHCSLP statutes to allow the Coordinating Board to set the repayment period to match industry standards if the fiscal integrity of the program remains protected.
- B. Related to Other State Programs
1. If it proves to be beneficial to institutions of higher education in Texas, encourage the Texas congressional delegation to support the provisions of HR 4283, the College Access and Opportunity Act (or similar legislation), that require the use of a new formula for distributing federal campus-based funds among institutions.
 2. Reduce confusing or conflicting requirements, lessen the administrative burden, and speed delivery of aid to students through amendments to the following programs:

- a) The Early High School Graduation Scholarship Program
 - b) The Educational Aide Exemption Program
 - c) The Bordering State Waiver
 - d) The Tuition Assistance Program for Members of State Military Forces (National Guard)
- 3. Expand the state's tuition rebate program to include students who graduate on time as defined by the calendar as well as by the number of hours attempted; increase the value of the rebate and appropriate funds to meet program costs.
- 4. Extend the flat rate tuition exemption to cover all hours beyond 15 taken in a term to encourage students to graduate on time and give institutions the option of offering a flat rate for students enrolled in 12 hours or more.
- 5. Allow institutions to transfer up to the lesser of 10 percent or \$10,000 of the funds allocated to them among various state grant and work-study programs.
- 6. To optimize the use of state funds and simplify operations for students and institutions, consolidate or transfer funds for certain programs into other programs:
 - a) Use funds currently appropriated for the Public Student Incentive Grant (PSIG) to increase funding for the state's work-study program, to match federal funds for nurse practitioners, and to enhance funding for future nurse faculty members.
 - b) Allow institutions to issue scholarship funds generated through the Student Deposit Scholarship Program to students through the Texas Public Educational Grant Program.
 - c) Allow institutions to issue their License Plate Insignia Scholarship Program funds to students through the Texas Public Educational Grant Program.

C. Related to Adding Merit to Financial Aid Programs

- 1. If merit requirements are to be added to state aid programs, base them on criteria that reflect the student's ability *in the context of* his or her educational opportunities in P-12.
- 2. Phase in any new merit requirements.
- 3. Do not base student eligibility for merit-based aid on a single measure.
- 4. Continue to apply a financial need criterion so that the process will continue to channel funds to students who need them in order to have access to higher education. Use the process to identify the most promising of the needy students.

The Board also recommends that an additional study be conducted to help identify potential improvements in state exemption and waiver programs. Each year, institutions forego almost \$200 million in tuition and fee revenues through these programs. A review

could help identify ways to align the programs with the state's goals for participation and success. A list of current exemption and waiver programs is attached as Appendix D.

Some of the recommendations in this report call for additional investments in financial assistance programs, a difficult proposition in a time of a tight state budget, but the alternative is much worse. If Texas does not significantly expand the number of students who participate and succeed in higher education, the state's economic future is in peril.

"Texas is profiting from a diverse, vibrant and growing economy. Yet this prosperity could turn to crisis if steps are not taken quickly to ensure an educated population and workforce for the future."¹

¹ *Closing the Gaps by 2015*, THECB, October 2000, p. 1.

Preparing for the Emerging Texas

Report on the Effectiveness and Efficiency of State Financial Aid Programs to Help Close the Gaps in Participation and Success

INTRODUCTION

The G.I. Bill, established at the end of World War II, was a bold experiment which opened the doors of higher education to the country's veterans – a broad spectrum of Americans who otherwise, perhaps, could not have sought a college education. Today, a significant share of people earning middle- and upper-level incomes in Texas are children or grandchildren of people who benefited from the G.I. Bill. They were raised on stories of the economic and social benefits of higher education. For them, higher education has become a natural part of life after high school.

In their book, *The New Texas Challenge*,¹ Steve Murdock and associates explain that the number of children raised in this environment is dwindling as a percentage of the state's population graduating from high school. More and more of the state's college-age population is from families that have had little or no exposure to higher education. They have grown up in households that do not speak of “when” you go to college but rather “if” you go to college. Often, college is not mentioned at all.

Yet the state's future prosperity depends on young men and women acquiring the knowledge and skills required to maintain and provide leadership for the state's workforce. In the years since the establishment of the G.I. Bill, the country's economy has shifted from primarily agriculture to production, from production to service industries, and now from service industries to technology – shifts that have lead to higher and higher educational demands for the workforce. More than 30 percent of the nation's jobs are expected to *require* postsecondary education by 2008.² A major premise of Murdock's book and *Closing the Gaps by 2015*, the state's higher education plan, is that the state's economic progress is threatened unless these students participate and succeed in higher education. Texas will have difficulty attracting new businesses because of the lack of an educated workforce, people in Texas will earn less, and tax revenues will decline.

One of the goals established in *Closing the Gaps* is to enroll 500,000 new students by 2015. Historical enrollment patterns show that 200,000 students can be expected to enroll by 2015. The additional 300,000 students must be recruited from families that likely have had no experience with college, who may not know the difference between community colleges and universities, and who may not know about such things as certificate and degree plans. These students must somehow select colleges, apply for admission, register and pay for classes, arrange for housing, purchase books and supplies, and ultimately succeed in their studies. Veterans using the G.I. Bill succeeded in making this transition. So, too, can these new students **if adequate support is provided**.

Senate Bill 286 of the 78th Legislature, Regular Session, directed the Coordinating Board to review state financial aid operations and to make recommendations for ways to improve the

¹ *The New Texas Challenge: Population Change and the Future of Texas*, Steve H. Murdock et al., 2003.

² Bureau of Labor Statistics, 2000.

efficiency and effectiveness of the state's programs. That assignment has been expanded to include assessing the alignment of state programs with *Closing the Gaps*.

This report reflects the findings and recommendations of the Board, based primarily on the work of a Financial Aid Steering Committee convened for that purpose.³ Committee meetings and dialogues were extremely fruitful, producing the majority of recommendations. Committee members also suggested several ways of streamlining or otherwise improving Coordinating Board financial aid operations. Many of these recommendations have been or are in the process of being implemented; others are under review by the Board staff.

The traditional college-going cohort of students entering college directly from high school is expected to account for most of the additional 500,000 students needed to meet the goals of *Closing the Gaps by 2015*. As a result, the report focuses on the needs of these students.

The findings and recommendations in the report track the state's efforts to enable students to participate and succeed in higher education, beginning with outreach efforts focused on middle school and high school students, and concluding with a discussion of recommendations for improving current state financial aid programs.

³ A list of committee members is included as Appendix A.

I. Creating and Nurturing the Desire and Skills to Attain a Higher Education

Before a student considers pursuing higher education, he or she has to know what it is, why he or she should care, and how he or she can prepare to take part in it. In addition, the student has to believe that it is attainable. In the past, most people who have attended college knew these things through family and friends who preceded them in college. Now, however, most of the 300,000 “missing” students targeted by the College for Texans Campaign do not have family members and acquaintances with this knowledge. Therefore, the state must find ways to provide it.

Many students understand that college is a means to an end – an experience that provides the knowledge and skills to pursue meaningful and fulfilling careers, or at least have the option of participating in a variety of occupations. Texas must ensure that *all students* share this understanding of the link between education and career options. Furthermore, students who have no plans for postsecondary education must understand the limitations that are created by that decision. In the words of Tom Mortenson, a financial aid researcher with the Pell Institute for the Study of Opportunity in Higher Education (the Pell Institute), “The only thing more expensive than going to college is not going to college.” But how real is that concept to low-income families who have had no experience to confirm it?

In a survey commissioned by the Board in 2002,⁴ cost was the reason most often cited by middle and high school students and their parents for not going to college. Yet, more than \$3 *billion* in financial aid was received by students in Texas in 2002-2003. This information, and information about applying for such aid, must be shared early with low-income families so they will not give up and fail to acquire the educational tools and confidence to succeed in college.

Many other people who have limited information about financial aid fear that college will be a path to unmanageable debt. They do not understand the variety of available aid and they are not confident that their studies will lead to earnings that will enable them to pay off student loans. Although it would be irresponsible to encourage these students to assume large amounts of student loan debt, the fear of borrowing for college should not deprive them of the opportunity for a higher education. Their fear and lack of information should be addressed.

For students growing up in families with higher education experience, it is obvious that tougher classes in high school are necessary preparation for college work. The idea that four years of math, four years of science, four years of social studies and four years of English are expected in high school is commonly accepted, as are Advanced Placement courses and examinations and dual credit courses. This knowledge must be shared with all parents so they may encourage their children to take advantage of these opportunities as preparation for college.

A Metropolitan Life study⁵ of students enrolled in grades 7-12 found that 71 percent of the students expected to go to college and 51 percent of their parents expected it, but only 32

⁴ The study was conducted in August 2002 by Wirthlin Worldwide for Sherry Matthews Advocacy Marketing, which was under contract with the Board. A report based on the study is titled “Texas Higher Education Awareness and Motivation Campaign Research” and is accessible at www.thecb.state.tx.us/SAMC/research/FinalReport.

⁵ Source: “The Metropolitan Life Survey of the American Teacher, 2000: Are we Preparing Students for the 21st Century?” available at <http://www.metlife.com/WPSAssets/19369043831018400720VIF1000ats.pdf>.

percent of their teachers shared that expectation. These results suggest that the problem doesn't stem from lack of desire or vision among children.

Students in middle school and even in the first year or two of high school can successfully prepare for college if appropriately supported, advised and instructed. Parents and teachers must facilitate this process and not impede it. A middle school counselor attending a workshop a couple of years ago asked, "Why should I push these kids to work so hard if I know they will never be able to afford college?" She learned about financial aid at the workshop.

Each year, hundreds of workshops are conducted around the state by financial aid officers and other professionals, but they don't reach everyone who needs the information. For the state to reach its goals, more information must be shared with all counselors, parents, and students.

Findings:

- The earlier students and parents understand that college is affordable and that resources are available, the more motivated they are to make academic choices that prepare them to succeed in college.
- When students become aware of the options that higher education can provide, they more actively seek education.
- Decisions made about which courses to take in middle school affect course options in grades 9-12 and the ability of students to prepare for college. However, middle school students are not necessarily in a position to make informed decisions about course selection. This information and motivation should be provided by those who influence them most – parents and counselors.
- When knowledgeable people help students through the process of applying for admission to college, the number of students enrolling in college increases.
- Students and parents need a reliable source of information about college preparation, admissions and financial aid.
- The College for Texans Campaign provides a vehicle to deliver messages about college affordability and preparation and to motivate students to attend and succeed in college.

Recommendations:

A. Develop the Messages

1. Develop a dedicated funding source for state financial aid so that program funding can be continuous and predictable and provide a basis for motivating students to attend college. Predictability can be the foundation for a very simple but extremely important promise to students and parents – *if they do certain things, they can expect certain resources to be made available to them.* The TEXAS Grant program, when provided full funding in FY2002 and FY2003, encouraged many students to pursue and many high schools to emphasize the Recommended High School Curriculum, a requirement for a grant through the program. The share of students graduating under the Recommended Curriculum between FY2000 and FY2003 rose from 39.5 to 63.6 percent⁶ at least in part because students wanted to secure free tuition and fees for college.

2. Establish the state's Financial Aid Information Center, made up of the www.collegefortexans.com web site housed at the Coordinating Board and the 1-888-311-8881

⁶ Source: Texas Education Statistics, available at www.tea.state.tx.us/adhocrpt.

toll-free call center housed at Texas Guaranteed, as the central clearing house for financial aid-related materials. Make Information Center sources accessible to students, parents, counselors, institution staff, legislators and their staff – all interested shareholders.

- The Information Center currently includes in its materials:
 - Fact sheets about state, federal and significant private financial aid programs
 - Fliers that can be down loaded
 - PowerPoint presentations that can be down loaded
 - General information about admissions to college
 - General information about college costs
- The Center could improve its effectiveness by implementing the following steps:
 - Have materials available in Spanish and English
 - Include a calendar of financial aid- and admissions-related events scheduled around the state
 - Make sure the materials present information in simple language and that the information is accurate. Unless or until a dedicated funding source for financial aid is created, keep the message generic in nature (i.e., funds will be available), rather than specific to programs that come and go.
 - Advertise the clearing house through locations and products frequented by students and their parents – malls, grocery receipts, book-covers, pizza boxes, and lottery tickets.
 - Require the Coordinating Board to have a prominent link to financial aid and admissions information on the opening screen of its web site.
 - Encourage all educational institutions (P-16) to advertise the state's Financial Aid Information Center in their counselors' offices and school publications, as well as on their web sites. These two sources can provide an abundance of information for counselors, parents and students about preparing for and selecting a college, admissions and financial aid. In addition, require each institution of higher education to prominently display a link to its financial aid office on its sites.

3. Direct the Coordinating Board to work with professional organizations throughout the state to coordinate the development and delivery of comprehensive training for counselors, teachers and others involved in outreach so that the message that is being delivered is correct, up-to-date and complete. The most knowledgeable people about college admissions, student assessment requirements, and financial aid are the practitioners at colleges and universities and associated state agencies. The Coordinating Board should work with the Texas Association of Student Financial Aid Administrators (TASFAA), the Texas Association of Collegiate Registrars and Admissions Officers (TACRAO), the Texas Association of Collegiate Admissions Counselors (TACAC), Texas Guaranteed, and other related entities to pool resources and provide comprehensive workshops for middle school and high school counselors and others involved in outreach activities. These organizations already devote considerable amounts of time to such workshops, but coordination and cooperation could increase their ability to reach all interested parties with accurate information. To ensure that these workshops are offered throughout the state, they should become a regular part of the programs offered via the state's education Regional Service Centers, which cover all geographic regions of the state.

The workshops should be announced and open to other outreach organizations such as the community-based organizations participating in the College for Texans

Campaign, the Texas Business and Education Coalition, Upward Bound, and TRIO offices.

B. Deliver the messages

1. Require the P-16 Council to develop a college-readiness curriculum for students in grades eight through twelve; implement the curriculum in all public schools by 2008. The course work for grades eight through twelve should include information about going to college. Class materials should include images of students of all racial/ethnic groups and income levels attending and benefiting from college. Math exercises should include problems that use college-related words and ideas, such as the number of hours required for degrees or managing financial aid funds. Writing exercises should require virtual (or real-life) tours of college campuses or interviews of people who have attended college. The goal would be to have the process of high school completion acquaint students and make them feel comfortable with the higher education environment.

In addition, the curriculum for twelfth grade would include guidance on completion of the Free Application for Federal Student Aid and of the Texas Common Application for college admission (relevant for all public universities in Texas and other contracted institutions of higher education).

2. Continue and expand the Coordinating Board's Higher Education Assistance Pilot Program and First Generation College Student Initiatives. These programs foster development of partnerships among school districts, institutions of higher education and the Coordinating Board to provide outreach support, enrollment workshops and local information centers for students and parents throughout the state – especially in regions where college participation rates are low.

After only one and one-half years of program operations, the average college participation rate of students in the high schools with lowest college participation rates increased from 29 to 36 percent. The programs are currently funded by the federal government through the Department of Labor, but state appropriations should be sought to continue and expand these efforts if that source of support is eliminated.

3. Encourage the Texas congressional delegation to support provisions of the College Access and Opportunity Act (or similar legislation) that would:

- a) Help distribute financial aid information to low-income families. The earlier students and parents understand that college is affordable and that resources are available, the more motivated they are to make academic choices that prepare them to succeed in college. The proposed College Access and Opportunity Act includes provisions to require a special effort be made through federal sources to notify students and parents who qualify for free lunch, food stamps, and similar programs of their potential eligibility for a maximum Pell Grant for college. State legislators and other officials should encourage the Texas congressional delegation to support these provisions of the proposed act.
- b) Reauthorize and strengthen all federal college access programs for low- and middle-income students, including TRIO and GEAR UP. These programs have been extremely successful in promoting early awareness, outreach and the dissemination of consumer information about postsecondary education.

4. Raise public awareness about aid for college by creating a financial aid month. Ask Governor Rick Perry to establish February as Financial Aid Month. February is a critical period for graduating seniors and their parents to apply for aid for the following year, so it is also an opportune time for students of all ages and their parents to be exposed to the realities of financial aid.

5. Establish a Texas Super Goal Sunday, to be held annually on the Sunday after the Super Bowl. Encourage all institutions of higher education to open their campuses from 1:00-5:00 p.m. and provide students and parents free, professional assistance with completing the Free Application for Federal Student Aid (FAFSA), the main document for applying for federal or state financial assistance.

6. Continue state support for the College for Texans Campaign. The campaign is targeting the potentially “missing” 300,000 students through grassroots outreach efforts and through advertising and marketing. It is bringing together groups throughout the state to spread the word to students, their parents, and other influencers about the importance of higher education, the financial resources available and the preparation necessary to succeed.

II. Navigating the College Enrollment Gauntlet

The high school graduate who enters higher education runs a gauntlet of needs and requirements. Before the student steps into a class, he or she has to clear at least the following eight hurdles, a task that is challenging for any 18-year old, but particularly daunting for a student who has had no previous exposure to the college process through a parent, relative, or friend:

1. Researching institutions to select a college
2. Applying for college admission
3. Applying for financial aid
4. Being assessed as part of the Texas Success Initiative
5. Registering
6. Paying direct costs (tuition, fees, books and supplies)
7. Finding housing
8. Arranging for payment for indirect costs (room and board, transportation and personal expenses)

Findings:

- The process of applying for financial aid is complex and intimidating. Students and parents must complete the four-page Free Application for Federal Student Aid (FAFSA) to be considered for most federal, state, or institutional financial aid.
- Although the process of applying for admission to public universities has been greatly simplified through the development of the statewide common application (available at www.ApplyTexas.org), the majority of students enrolling during the next two decades are expected to begin their studies at community colleges. At present, each of those institutions has its own unique form.
- College registration for entering freshmen typically occurs in August, prior to the start of the state fiscal year. As a result, no state financial aid funds can be made available to students, even if they have been awarded aid by their institutions.
- The state's emergency loan program is restricted to payment of tuition and fees, but new students cannot successfully begin the fall term if they do not also have resources for purchasing books and supplies.
- Although public institutions have authority to allow students approved for financial aid to register and pay tuition and fees on an accounts-receivable basis, some institutions do not offer students this option. Many families have cash flow difficulties that make these initial charges very difficult to meet.
- The state's installment plan for payment of tuition and fees offers only two options – payment in full prior to the start of the term or payment of one-half prior to the start, followed by two additional payments of one-fourth of tuition and fee charges. More flexibility is needed.

Recommendations:

A. Related to College Admissions

Continue to expand the common admissions application initiative started in 1997 to include a form for community colleges. The Common Application Advisory Committee, convened by the Board in accordance with Texas Education Code Section 51.762, has successfully created and launched a common admissions application that is

accepted by all public universities. Through this single form, a student may apply to up to six different universities, rather than complete unique applications for each institution. The form has significantly simplified the admission application process for Texas students. Although the committee was originally charged only with developing the common form for undergraduates, it has also developed a form for graduates and should collaborate with community college representatives to develop a common application for the state's 50 community college districts.

B. Related to Applying for Financial Aid

1. Encourage the Texas congressional delegation to support federal efforts to simplify the Free Application for Federal Student Aid, especially for low-income students. A recommendation made earlier in this report (page 6) encouraged the Texas delegation to support the provisions of the College Access and Opportunity Act that deal with additional federal efforts to share financial aid information with families receiving benefits through free lunch, food stamps, and other similar programs. The same piece of draft legislation includes proposals to simplify the financial aid process for needy students and families. The bill would make it easier for the neediest students to participate in federal student aid programs by simplifying and expanding eligibility for use of the "simplified needs test" to determine how much aid a family qualifies to receive. The delegation should be strongly encouraged to support this proposed provision (or similar legislation), also.

2. Develop and provide comprehensive financial aid training for counselors, community-based organizations and others so that there is a reliable and consistent source of information (page 5). The state's professional organizations should pool resources to develop and deliver comprehensive training to counselors, parents, students and others involved in outreach activities.

3. Continue and expand the Higher Education Assistance Program and First Generation College Student Initiative so more students will learn of financial aid through these outreach programs (page 6). These programs foster development of partnerships among school districts, institutions of higher education and the Coordinating Board to provide outreach support, enrollment workshops and local information centers for students and parents.

C. Related to Being Assessed as Part of the Texas Success Initiative

1. Encourage students who meet the high school graduation requirement of the Texas Assessment of Knowledge and Skills (TAKS) but who fall short of the college-readiness standard to use their senior year to become college ready. The TAKS is administered only once, to students enrolled in eleventh grade. If a student scores at least 2100, he or she is eligible to graduate, but the student must score at least 2200 on TAKS Math and 2200, with a writing sub-score of 3, on TAKS English/Language Arts to meet state college-readiness requirements and be exempted from the state's college assessment requirements (Texas Success Initiative). Although there would be some cost to the state for offering the test a second time, it would be much more efficient and cost effective if seniors were counseled and enrolled in classes that eliminated their deficiencies rather than have them wait for college to address them.

2. Require the Texas Education Agency to provide high school seniors the opportunity to re-take the Texas Assessment of Knowledge and Skills at no or low cost so they have another chance to meet the college-readiness standard. The TAKS is administered only once, to students enrolled in eleventh grade. If a student scores at least 2100, he or she is eligible to graduate, but the student must score at least 2200 on TAKS Math and 2200, with a writing sub-score of 3, on TAKS English/Language Arts to meet state college-readiness requirements and be exempted from the state's college assessment requirements (the Texas Success Initiative). Although there would be some cost to the state for offering the test a second time, it would be much more efficient and cost effective if seniors were counseled and enrolled in classes that eliminated their deficiencies rather than have them wait for college to address them.

3. Use the state's comprehensive training system described on page 5 to provide counselor training about the Texas Assessment of Knowledge and Skills and Texas Success Initiative requirements. Students should be advised early about test schedules, costs, and exemptions. Counselors would be the best, most convenient sources of that information.

D. Related to Paying Direct Costs (Tuition, Fees, Books and Supplies)

Help students pay fall tuition and fees and purchase books and supplies. Many students who are recruited into higher education through College for Texans Campaign efforts will not have adequate funds available to pay their initial charges for tuition, fees, books and supplies. State financial aid funds (including TEXAS Grants and B-On-Time Loans that are designed to cover the cost of tuition and fees) are not available at the start of the fall semester in August, when registration occurs. Current assistance programs are very limited. Improvements could be made by any of the following actions:

1. Require institutions to allow students waiting for disbursement of financial aid to register on an accounts-receivable basis. Currently, institutions are authorized to allow students to enroll and register on an accounts-receivable basis if they have been approved for financial aid but their financial aid funds are not yet available. We recommend that institutions be *required* to allow this.

The state fiscal year begins on September 1 and it is usually mid- or late September before any state funds can be issued to students. In addition, the federal Stafford Loan program (the nation's largest student loan program) prohibits disbursement of funds to freshmen at certain institutions prior to 30 days after the beginning of the fall term. These delays create serious hardships for entering students, especially those from low-income families.

There is collateral for the accounts-receivable registration since the students have been processed and approved for aid. The funds are simply not yet available for disbursement.

2. Make state financial aid funds available at the start of the academic year in August through one of the following approaches:

- Allow the Coordinating Board, which functions as trustee of most state financial aid dollars, to draw down funds from the coming fiscal year in August and disburse the funds to institutions for students to pay their fall expenses. The resulting cost to the state would be approximately one month's interest on the funds drawn down.

- Provide the Board Unexpended Balance (UB) authority in all financial aid programs so that money from the current fiscal year can be held through the summer for August disbursements for students. If UB authority is used to make current year funding available for August disbursements for fall and program funding is not increased, any funds used at year end for the next year's students will represent a loss of funds to current year students. However, the state could accommodate this by shifting the state financial aid year to a calendar year. It could appropriate 18 months' funds in the first year of a biennium, followed by regular funding in subsequent years. This one-time boost could allow the state to provide funds in August for the coming fall terms on a regular basis.

3. Expand the state's emergency tuition and fee loan program to allow awards to students for books and supplies. This program, authorized under Texas Education Code Chapter 56, Subchapter D, provides short-term (90-day) loans to students. Purchases of required books and supplies are crucial for a successful start to the semester.

4. If funding in the emergency tuition and fee loan program is limited, allow institutions to give priority to needy students. Texas Education Code, Section 56.052 requires institutions to make awards through the emergency tuition and fee loan program on a first come/first served basis. If funding is limited, the funds will have greater impact if they are directed to students with financial need. Institutions should be given the option to make support for needy students a priority.

5. Adjust the state's tuition and fee installment plan to provide more payment options to all families. The state's installment plan, authorized under Texas Education Code, Section 54.007, offers only two options – full payment prior to the beginning of the term or payment of half of the required amount prior to the beginning of the term, followed by two payments equal to a quarter of the required payment. The installment plan should be changed to:

- allow the initial installment to be handled as an "accounts receivable" payment for students who have qualified for financial aid but whose aid funds are not yet available; and
- give institutions authority to create more flexible installment plans and receive formula funding for the related hours if the charges required for formula funding are paid by the end of the relevant term.

The chart on the following page summarizes the steps that a student must take *after he or she has decided to go to college*. If the state successfully entices students to higher education, participation is not assured because of the complexities students face in entering college. The third column cross references the activities to related recommendations.

By following the recommendations outlined in this section, *all* students, but especially students recruited into higher education through the state's College for Texans Campaign efforts will have a better chance of successfully reaching their first day of class.

The College Entrance Gauntlet

Step	Activity	Relevant recommendation(s)
1	researching institutions to select a college	Resource centers such as "Go" Centers; Publicity about Financial Aid Information Center; P-12 curriculum exercises
2	applying for admission <ul style="list-style-type: none"> • completing an application • writing and submitting an essay (if required) • paying an admissions processing fee (if required) • taking required admissions exams 	P-12 curriculum exercises; Higher Education Assistance Program; First Generation College Student Initiative; Common Applications; Counselors (information about schedules); Colleges (information about required scores);
3	applying for financial aid	Financial Aid Information Center; Comprehensive counselor workshops; Simplification of the FAFSA
4	being assessed in keeping with the Texas Success Initiative	Offer TAKS test in twelfth grade to give more students a chance to be exempted; Comprehensive counselor training regarding deadlines, costs and exemptions
5	registering <ul style="list-style-type: none"> • seeking out an advisor • discussing careers • selecting classes • checking class availability 	
6	paying direct costs via cash, emergency loans, installments or vouchers <ul style="list-style-type: none"> • tuition and fees • books and supplies 	Making state funds available in August (any of the options) <ul style="list-style-type: none"> • drawdown of funds • UB authority • Expand emergency loan program to cover books and supplies • Add flexibility to installment plan
7	finding housing <ul style="list-style-type: none"> • on-campus or off-campus dormitories or • private housing off campus or • commuting from home 	
8	arranging for payment for room and board <ul style="list-style-type: none"> • from personal resources or • via financial aid 	Making state funds available in August. <ul style="list-style-type: none"> • drawdown of funds • UB authority

III. Exploring State Financial Aid Funding Options

The outreach and financial assistance activities described in the first two sections of this report can enable a student to be admitted, register, and attend his or her first day of class – i.e., *participate* in higher education.

However, state goals laid out in *Closing the Gaps by 2015* also include closing the gaps in *success*, which is primarily defined as increasing the number of students receiving certificates and degrees. In other words, it is defined in terms of student retention and completion of studies. For this to occur, many students will need financial assistance to meet living costs.

State Demographer Steve Murdock's research indicates that a significant share of the additional students to be recruited into higher education will come from low-income and working-class families. These families will not be able to pay college costs without some assistance.

In 2002-2003, 44.1 percent of the state's 1.1 million students or more than 487,000 students received some type of need-based aid. *Closing the Gaps* calls for enrolling an additional 500,000 students in Texas higher education by 2015. Based on the trends of the 1990's, approximately 200,000 of those students could be expected without new efforts to prepare and enroll more students. The additional 300,000 students needed to reach *Closing the Gaps* goals will come from populations that typically have not participated in higher education, and an estimated 50 percent, or 150,000, of them are expected to need financial aid. Therefore, the state can anticipate a student population of approximately 725,000 students who will need financial assistance in 2015.

Aid recipients at current enrollment	487,000
Additional recipients from first 200,000	88,200
Additional recipients from next 300,000	150,000
Total aid recipients by 2015	725,200

On average, needy⁷ financial aid recipients attending public universities in 2002-2003 received \$7,512 in grants, scholarships, work-study, and loans (from all sources, federal, state, private and institutional). They also received an average of \$1,826 in assistance from their families, for a total of \$9,338 to cover nine months of costs while attending a public university. Tuition, fees, books and supplies required \$3,935 of those funds, leaving \$5,403 or \$600 per month for living expenses (room, board, transportation and personal expenses) for nine months.

Resources Available to Typical Public University Aid Recipient, FY 2003

Financial Aid	\$7,512	Total Resources	\$9,338
Family Contribution	+ \$1,826	Tuition, Fees & Books	- \$3,935
Total Resources	\$9,338	Living Allowance	\$5,403
		Living Allowance per Month	\$600

⁷ "Needy" in this case is defined as being one of the 378,349 aid recipients who only received aid to meet cost, and not (even in part) to replace family contribution. For a comprehensive review of the basics of financial aid, see Appendix B.

National statistics show that to supplement these resources, 79 percent of students work, while only 21 percent do not during an academic year.⁸

Without regard to inflation and based on the assumption that each of the 725,000 aid recipients in 2015 will need an average of \$6,100,⁹ the total demand for financial aid will equal \$4.4 *billion* (compared to \$3.2 billion received by Texas students in 2002-2003).

The total is staggering, but if trends hold, the majority (77.4 percent)¹⁰ of the financial aid will be provided by the federal government. Furthermore, the return on investment is very large. Tom Mortenson, a financial aid researcher with the Pell Institute, has asserted that the return on investment can be as much as \$33 for every dollar spent on a public-college education. "Families and government officials alike should realize that a college education is 'an extraordinarily valuable investment. . .'"¹¹

But what kind of aid should the state provide, and how much?

Comparison of Grants, Scholarships, Work-Study and Loans

There are four main types of financial aid – grants, scholarships, work-study and loans.

Need-based grants are the most effective state tool for stimulating college participation,¹² but grants and scholarships are the most expensive types of financial aid to provide because a grant or scholarship for \$1 will cost the state \$1 (plus administrative costs). Both grants and scholarships are gift aid – "free" money that does not require the student to perform a service or repay the funds. A grant is primarily awarded on the basis of a student's financial need (although academic performance may also be considered), while a scholarship is primarily awarded on the basis of merit – academic achievement or some talent or skill.

Need-based grants are the most effective state tool for stimulating college participation.

Virtually all state gift aid is in the form of grants because of the state's emphasis on providing student access. State experience with the TEXAS Grant Program (the first state program that makes an on-going commitment to students if they continue to meet program academic standards) shows that the promise of this type of aid can also improve student retention.¹³

Work-study programs are less expensive to the state than grants and scholarships because state funds are leveraged, but current college costs and minimum wage rates make it virtually impossible for students to work their way through college. Work-study programs provide part-time jobs to students (usually on campus). Awards are made on the basis of

⁸ "Working Through College: A Research Summary," presented by Rick Kincaid, National Student Employment Association Conference, 2003, p.1.

⁹ The 2003 average amount of aid received by all recipients was \$6,066. Source: "Financial Aid for College Students in Texas Fiscal Year 2003," THECB, July 2004.

¹⁰ Source: 2003 Financial Aid Database Report, THECB.

¹¹ Tom Mortenson, "Outspoken Expert Tries to Influence the Debate on Student Aid" The Chronicle of Higher Education, May 16, 1997.

¹² "Expanding College Access: The Impact of State Finance Strategies," Lumina Foundation, 2004, p. 12.

¹³ TEXAS Grant recipients have shown a higher retention rate than students who received no TEXAS Grants (82.5 percent vs 79.1 percent at universities, 65.2 percent vs 49.1 percent at community colleges and 47.2 percent vs 35.2 percent at state and technical colleges).

financial need. A work-study award given a student is basically an agreement to allow the student to earn up to a certain amount in a job that the financial aid office has located and approved. The state pays a significant portion of a student's wages but the employer also contributes. Currently, the Texas College Work-Study Program generates \$1.43 in student earnings for every \$1 of state funds appropriated.

Work-study programs are effective at increasing retention and do not appear to hurt academic performance if the student works fewer than 19 hours per week. Heavier work loads tend to be accompanied by declining academic performance.¹⁴

Although the image of students working their way through college might be appealing, current conditions make it unreasonable to expect this of students. In 1964, a student working roughly 19 hours a week could earn enough to pay his or her public university expenses. Today, a student would have to work 55 hours per week year-round to meet those same costs.¹⁵

Loans are the least expensive type of aid for the state; the most expensive for the student. Loans made through the state's Hinson-Hazlewood College Student Loan Program (HHCSLP) are funded through the sale of bonds. The program's operating expenses are met with loan origination fees and interest paid by borrowers. HHCSLP is fully self-supporting and provides \$46 million in loans to students each year.

Loans are the least expensive type of aid for the state; most expensive for students.

However, the median borrower indebtedness of students attending Texas public universities in 2002 was \$13,000, compared to \$5,000 in 1992.¹⁶ Indebtedness can influence career choices away from less lucrative service professions. Also, an aversion to borrowing can cause some students to forego higher education altogether.

Loans are the most readily available source of assistance. It is just now becoming evident that if loans are to be used to provide assistance to the additional students recruited through the *College for Texans Campaign* efforts, the state will need to carry out an informational campaign to explain the benefits of prudent student borrowing and to help families understand the concept of borrowing as an investment. The financial aid community can compose such a message; the Campaign can help spread the word.

Texas B-On-Time (BOT) Loans, a Grant/Loan Hybrid. In 2003 the state created the BOT Loan Program – a very unconventional type of loan that has a zero interest rate (throughout the life of the loan) and offers a forgiveness option for students who graduate “on time” with a grade point average of at least 3.0. Loans that are forgiven will cost the state much the same as grants, but funds repaid by students will be recycled to new students, making the program far less expensive than a pure grant. At the same time, the program's forgiveness option should also appeal to students who generally wish to avoid loans. Unfortunately, current federal tax laws require students to pay taxes on loans such as these at the time they are forgiven. Although this requirement reflects a cost to the student, it is also a hurdle for the state in trying to market the BOT Loan Program.

B-On-Time – a zero interest loan with forgiveness.

¹⁴ Phillip Gleason, *Journal of Student Financial Aid* (1993) as quoted in “Working Through College: A Research Summary,” presented by Rick Kincaid, National Student Employment Association Conference, 2003, p.5.

¹⁵ Tom Mortenson, “I Worked My Way Through College. You Can, Too.” *Postsecondary Opportunity*, 2002.

¹⁶ Robin McMillion et. al., *State of Student Aid in Texas*, April 2004, TGSCLC, page 73.

The following table summarizes these points and the state's primary current financial aid programs.

Major Types of Aid

Type	Advantages	Disadvantages	Main State Programs	FY2004 State Funding
Grants & Scholarships	Most effective in encouraging access; increase high school and college graduation rates	Cost the source (the state) \$1 for each \$1 received by the student.	TX Grant TX Gr. II TX Pub. Ed. Grant Tuition Equal. Gr.	\$164 mil 5 mil 102 mil 72 mil
Work-Study	Encourages retention if student does not work excess hours; source funds are leveraged by employer contributions. Currently \$1.43 earned for each \$1 of state funds.	If student works too many hours, academic performance declines. Minimum wages are too low and college costs too high for a student to "work his/her way through college" as was done in the past.	TX College Work-Study Program	\$ 4 mil
Loans	Programs can be self-supporting;	Students are accumulating large amounts of indebtedness, which can impact their career choices and limits their budgets as they establish their own homes. Some students <i>refuse</i> loans and work too many hours to succeed in their studies	Hinson-Hazlewood College Student Loan Program	\$0 (program is self-supporting)
B-on-Time Forgiveness Loan	Less expensive than a pure grant program; more appealing to students who can benefit from zero interest and forgiveness possibility	More expensive than a pure loan program. Must be repaid by those who fail to graduate on time with a 3.0 grade point average; must pay taxes on funds when loans are forgiven.	TX B-on-Time Loan Program	\$0 (for 2004 and 2005 program has been supported through HHCSLP)

Is there an “Ideal Mix” of Grants, Work-Study and Loans?

Unfortunately, the answer to this question is “no.” The “ideal” mix differs from campus to campus, based on the institution’s mission and unique student population. Steering Committee members shared information about their own approaches to combining gift aid, work-study and loans for their students, and the responses varied too much to suggest a pattern.

Three financial aid software vendors responded to queries, all indicating that there is no national pattern. As one representative stated, “it is highly dependent on the types of federal aid programs the school participates in, the level of funding available through those programs and what’s available otherwise at that institution (i.e., state grant programs, endowment levels, NCAA scholarships, etc.).” (P. Delaney, personal communication, June 9, 2004)

Are the Neediest Students Getting the Greatest Amount of Assistance?

The answer is both yes and no. Statistics from the 2002-2003¹⁷ financial aid database (see below) indicate that students with the lowest family contributions tend to receive the largest amount of gift aid, but their lack of family resources and aversion to loans cause them to have the greatest amount of unmet need.

The neediest students receive the most gift aid, the least loan aid, and end the year with the greatest unmet need.

If demographers are correct, and the future economy of Texas relies on increased higher education participation of groups that have typically attended college at lower rates and have earned lower wages than the current majority of college students, more aid will be needed for low-income students. The state will have to provide additional gift aid and help educate low-income and working-parent families about the benefits of borrowing prudently to pay for college.

Aid Awarded, Categorized by Family Contribution¹⁸

Expected Family Contribution	# of Students	Cost	Family Contribution	Gift Aid	Work-Study	Loans	Total Aid	Unmet Need
0 - 2,000	292,190	\$11,624	\$ 356	\$3,556	\$120	\$2,863	\$ 6,540	\$ 4,728
2,001 - 4,000	59,909	12,494	2,883	2,463	113	3,776	6,351	3,260
4,001 - 6,000	32,748	14,186	4,914	2,238	132	5,274	7,644	1,628
6,001 - 8,000	20,022	15,402	6,926	2,118	114	6,038	8,270	207
8,001 - 10,000	13,673	16,520	8,943	2,034	95	6,882	9,010	-1,433*
10,000 +	21,313	20,821	13,756	1,928	93	9,418	11,439	-4,374*
	439,855	\$12,703	\$ 2,255	\$3,118	\$118	\$3,754	\$ 6,989	\$ 3,459

*Negative figures indicate that families borrowed money through unsubsidized loans to help pay the expected family contribution, not that students received excess aid.

How Much Financial Aid should the State Provide?

¹⁷ Source: 2002-2003 financial aid database, compiled by THECB from reports submitted by institutions.

¹⁸ Family Contribution is the federal estimate of a student’s discretionary income available for college.

How much money should the state provide for financial aid? Two models offer some insights.

(1) *Closing the Gaps by 2015* calls for the state to ensure that all needy students receive free tuition, fees, and books as they attend college. Providing these items to the 725,000 needy students projected for 2015 (assuming no inflation and making awards to students attending public health-related institutions and independent institutions the same as for students attending public universities), would cost an estimated \$2.4 *billion*.

**Cost of Providing Free Tuition, Fees and Books to All Needy Students
FY2015**

Type of Institution	FY 2004 Tuition, Fees, Books and Supplies*	Projected Number of Aid Recipients ¹⁹	Total Cost*
Community & Tech Colleges	\$2,127	343,514	\$ 730,653,738
Public Universities	\$4,636	292,942	1,358,080,125
Public Health-related	\$4,636	8,757	40,596,348
Independent Institutions**	\$4,636	63,209	293,037,688
Totals		707,222²⁰	\$2,422,367,899

* Calculations assume no inflation.

** Used same average charges for independent institutions and public health-related institutions as for public universities.

The cost to fulfill this goal could be affected significantly by changing the definition of a “needy” student, but the resulting figure will remain very large due to the scope of higher education in Texas.

(2) A second approach is suggested by the Lumina Foundation in its publication “Expanding College Access: The Impact of State Finance Strategies.” The Foundation suggests an “equity” goal for financial aid relying on the federal Pell grant to help needy students pay for room and board. The state and federal government would combine resources to provide an additional partnership grant to meet tuition and fee charges.

The partnership grant would be an amount equal to 25 percent of the state’s tuition and fee revenues. Ideally, states would provide two-thirds of the funds and the federal government would provide one-third through a two-for-one matching grant program. However, in lieu of federal matching funds, the state would ideally cover the full cost. In Texas, this formula would generate approximately \$581 million for the current year and would increase during the next five years:

¹⁹ Aid recipient number derived by applying projected enrollment percentages from “Enrollment Forecasts 2000-2015, Texas Institutions of Higher Education, Study Paper 27, Revised January 2001” THECB, against the projected total aid population.

²⁰ Additional students are expected to attend career colleges (previously known as proprietary institutions), bringing total enrollment statewide to the 725,000 figure. Data for career colleges is not included in the Coordinating Board’s financial aid database.

"Equity" Goal for Financial Aid in Texas

Fiscal Year	Target Amounts (in millions)
2004	\$581.2
2005	\$593.4
2006	\$602.2
2007	\$608.5
2008	\$614.9
2009	\$621.2

Findings:

- Once in college, many students need financial assistance to meet living expenses.
- Financial assistance can be delivered in several different forms.
- There are no industry standards for the ideal mix of financial aid types.
- Texas' neediest students are receiving the greatest amount of gift aid but still have the greatest amount of unmet need.

Recommendation:

A. Texas should set its future financial aid funding goal to at least equal the "equity" goal suggested by the Lumina Foundation.

IV. State Financial Assistance Programs

Texas issued approximately \$312 million to students in the 2002-2003 academic year through a variety of grant, work-study and loan programs. The diversity of the programs and their eligibility requirements allowed financial aid officers to help a wide range of needy students enrolled in Texas institutions.

Students raised in households familiar with higher education are well served by the state's newest and most popular programs, the Toward EXcellence, Access, and Success (TEXAS) Grant and Texas B-On-Time (BOT) Loan Programs. These programs require students to be recent high school graduates who have completed the college-preparatory curriculum and to enroll in a public or independent nonprofit institution of higher education either on a three-quarters or full-time basis.

For the same reasons, these programs do not tend to respond as well to help students who don't have access to the knowledge and experience of other family members or friends who previously participated in higher education.

In addition, even if fully funded, the TEXAS Grant and BOT Loan Programs are expected to provide awards to fewer than 25 percent of the needy students enrolled in college during the next two biennia. The other 75 percent of the state's needy students will not qualify for TEXAS Grants or BOT Loans because they graduated from high school when program funding was too limited for them to enter the programs, they delayed their entry into higher education (perhaps to work and save for college), or they did not graduate under the Recommended Curriculum.

Projected TEXAS Grant/BOT Loan Awards to Students

	TG/BOT Recipients (with full funding)	TG/BOT Recipients' Share of Total Aid Population	Other Aid Recipients	Other Recipients' Share of Total Aid Population
FY2006	91,202	16.4 %	465,146	83.6%
FY2007	102,564	17.9 %	472,062	82.1%
FY2008	116,682	19.7 %	476,490	80.3%
FY2009	132,142	21.6 %	479,844	78.4%

Source: Projections by Coordinating Board Staff

Through the foresight of state leaders, however, Texas has other programs that can address the needs of these other students.

Major State Programs

Texas' primary grant and work-study programs include:

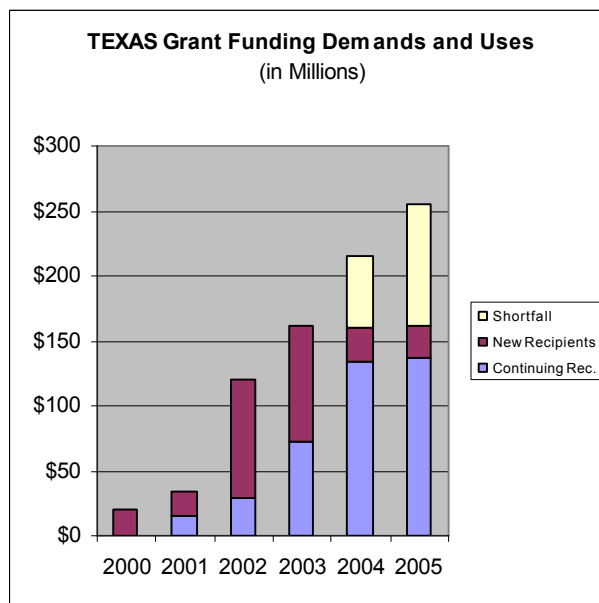
(a) Toward EXcellence, Access and Success (TEXAS) Grant Program: When the TEXAS Grant Program was authorized in 1999, it made two promises to Texas students with financial need: (1) prepare for college while in high school and the state will pay for your tuition and fees

as a freshman in college, and (2) meet program academic standards while in college and the state will continue to pay tuition and fees for up to 150 hours, six years, or until you acquire your bachelor's degree, whichever occurs first.

As funding for the program grew rapidly in Fiscal Years 2002 and 2003, the TEXAS Grant Program fulfilled both of those promises. Studies indicate that a growing number of students and parents recognized the program's name and took steps to qualify for the assistance it promised. However, funding was held level for the 2004-2005 biennium. In FY2003, the program had \$85 million to award to new students after meeting program commitments to continuing students. In FY2004, only \$25 million was available to award to new students.

If the TEXAS Grant Program continues as currently structured, the Steering Committee agrees that limiting student eligibility to five, rather than six, years could free funds for new students and act as an incentive for students to complete their degrees more efficiently.

Suggestions to reduce student eligibility to four years or to require students to enroll on a full-time basis to receive grants concern financial aid officers, who indicate that a significant share of their student populations work while attending school. (National statistics²¹ show 79 percent of college students work while in school.) Working while in college often adds to the amount of time it takes students to complete their degrees and limits the number of hours most of them can successfully complete in a single term.



(b) Texas B-On-Time (BOT) Loan Program: The BOT Loan Program, authorized by the 78th Legislature, Regular Session, provides interest-free loans to students who recently graduated from high school having completed the Recommended High School Curriculum. In addition, loans made through the program to students who graduate from college on time are forgiven and do not require repayment.

In spite of these provisions, the Financial Aid Steering Committee recommended converting the (BOT) Loan Program into a loan repayment program. The loan repayment program would repay loans for students graduating on time with a "B" (3.0) grade point average (GPA). With this change, awards would go to students after graduation from college, for use toward repaying student loans they acquired while pursuing their college degrees.

However, Coordinating Board staff believes that Texas students will be served better by a loan that will be forgiven for some and will be interest-free for those who are unable to graduate on time with a "B" average (the current BOT Loan Program). In this scenario, loan funds would be made available for meeting direct and indirect costs while the student is in college, and therefore would have a direct impact on the student's ability to participate and succeed in higher education. Students who graduated on time with a "B" average would never have to repay the BOT loans – the repayment would be forgiven.

²¹ "Working through College", Rick Kincaid, Career Services, SUNY College at Brockport, National Student Employment Association Conference, 2003.

Students from low-income families are less likely than their peers to take out loans.²² However, interest-bearing loans make up the majority of financial aid available to students. Reducing students' aversion to educational debt is one of the challenges the state will face in encouraging such students to attend college. Low-income students who are unwilling to accept these loans will face extreme difficulties financing their higher education at a four-year institution. These students are more likely to accept loans as part of their financial aid packages if the loans have a zero interest rate and have the potential for being forgiven.

The program as structured is appealing to the State of Texas because it will require fewer General Revenue dollars than a program that repays traditional student loans. Revenue from loans repaid by borrowers who do not meet the forgiveness requirements can be used to fund future loans.

The Coordinating Board was able to fund the program for the first two years from savings realized from refinancing the outstanding bond debt of the Hinson-Hazlewood College Student Loan Program. Part of the ongoing cost can be covered by the 5 percent tuition set-aside for the BOT Loan Program, as mandated by the Legislature for all public universities charging more than \$46 per semester credit hour for designated tuition. With adequate funding, this program can contribute significantly to closing the gaps in participation and success.

(c) TEXAS Grant II (TGII) Program. The TGII program is restricted to students enrolled in 2-year public institutions and is funded at a modest \$5 million each year of the current biennium. With additional funding, the program could be an important tool in closing the gaps in participation since 60 percent or more of the new students enrolling in college during the next 11 years are expected to begin their studies at two-year institutions.

(d) Texas Public Educational Grant (TPEG) Program. In the 2002-2003 academic year, TPEG provided assistance to more than 100,000 Texas students – more than any other state program. Financial need is the only statutory eligibility requirement for a TPEG award. The program's minimal eligibility requirements enable financial aid officers to use it to complement awards through other programs and meet the needs of students who "fall between the cracks" of other federal and/or state programs.

(e) Tuition Equalization Grant (TEG) Program. TEG was designed to broaden institutional choice for low- and middle-income families by providing assistance in meeting the higher tuition charges at private and independent nonprofit institutions in Texas. The program also reduces demands on state revenues by encouraging students to attend private and independent institutions in Texas rather than adding to the need for additional public higher education capacity. The program's eligibility requirements are flexible and allow it to meet the needs of students who have planned for college and those who are newly introduced to higher education. In 2003, TEG funding was cut by \$12 million per year for the current biennium although the demand for program funding increased by nearly 5 percent.

(f) Texas College Work-Study (TCWSP) Program. The Texas College Work-Study Program provides part-time jobs to financially needy students by subsidizing employers who hire students. Through the program, state funds are leveraged with employer contributions. For each dollar of state work-study funds, students can earn \$1.48. In 2003, program funding was increased for the current biennium for the first time since the program's inception in 1989. Continued increases are recommended to provide this type of self-help to more Texas students.

²² Derek V. Price, "Merit Aid and Inequality: Evidence from Baccalaureate & Beyond", *Journal of Student Financial Aid*, 2002, Volume 31, No.2., p. 16.

Virtually all jobs funded through the program are located on college campuses. Work-study is a good retention tool, especially for students who live at home and commute to campus.

Findings:

- Texas has many good financial aid programs.
- The state's programs need additional funding to be fully effective.
- The TEXAS Grant and Texas B-On-Time Loan Programs can address the needs of an important portion – but not all – of the state's student population.
- Changes to certain programs can improve program operations and/or allow the state to provide better service to its students.
- The introduction of additional merit requirements to state programs can interfere with state efforts to provide equal educational opportunity.²³

Recommendations

A. Related to Major State Programs

1. Retain and fully fund the major state financial aid programs:
 - Toward EXcellence, Access and Success Grant Program (TEXAS Grants);
 - Texas B-On-Time (BOT) Loan Program;
 - Toward EXcellence, Access and Success Grant II Program (TEXAS Grant II);
 - Texas Public Educational Grant Program (TPEG);
 - Tuition Equalization Grant Program (TEG) and
 - Texas College Work-Study Program.

2. Apply the TEXAS Grant and BOT Loan Programs in tandem, with students receiving TEXAS Grants during their first two years of college (first three years, if they acquire an associate's degree), and then receiving BOT loans for the balance of their studies.²⁴ The TEXAS Grant and BOT Loan Programs are well-designed to reward students who graduate from high school with the Recommended Curriculum. The TEXAS Grant Program's commitment to continuing students encourages retention while the forgiveness option of the BOT Loan Program encourages them to be efficient in completing their studies. Several facts support this approach:

- Grants are more effective than other types of aid in encouraging students to enroll in college.
- Since most students who drop out of college do so during their first two years of college and before they acquire educational credentials that could help them repay loans, they would be served best by avoiding loans.
- Students with two years of college experience are more confident about their futures and more comfortable borrowing money.

²³ "Although awarding merit scholarships is not fundamentally wrong, shifting financial aid resources to higher-income students is counterproductive to the public policy goal of equal educational opportunity. Indeed, any shift in state, institutional, or federal programs toward merit-based financial aid directs gift aid resources to those groups already overrepresented in higher education." "Merit Aid and Inequality: Evidence from Baccalaureate & Beyond." Derek V. Price, *Journal of Student Financial Aid*, Spring 2001, p. 16.

²⁴ The proposal to have TEXAS Grants and BOT Loans work in tandem is one of many ways to adjust state programs to accommodate partial funding. The Coordinating Board will continue to meet with the Steering Committee to explore and identify alternative courses of action.

During the next two biennia, fully funding the TEXAS Grant and BOT Loan Programs would require \$2.4 billion, while the combination of TEXAS Grant and BOT Loan working in tandem would require \$1.4 billion, resulting in a savings of \$1 billion to the state.

**Savings to the State of Texas
by Combining TEXAS Grants and BOT Loans
(in Millions)**

Fiscal Year	A Option A TEXAS Grant and BOT Loan Programs Fully Funded	B			C		
		Grants for 2 years; Loans for the balance		Savings over Option A	Grants for 2 yrs (3 yrs if AD received; loans for balance)		Savings over Option A
		Grant	Loan*		Grant	Loan*	
FY2006	\$ 457.95	\$ 235.60	\$ 45.60	\$ 176.75	\$ 235.60	\$ 45.60	\$ 176.75
FY2007	567.30	288.80	38.03	240.47	288.80	38.03	240.47
FY2008	633.10	280.40	57.27	295.43	286.20	57.27	289.63
FY2009	744.70	296.00	100.55	348.15	302.60	100.55	341.55
Total	\$2,403.05	\$1,100.80	\$241.45	\$1,060.80	\$1,113.20	\$241.45	\$1,048.40

* Loan costs include expenses for loans if all initial recipients continue in the program.

3. Allow students who enter the TEXAS Grant Program based on seventh semester high school transcripts to continue in the program if they then meet the program's college academic progress requirements. Currently, Texas Education Code Section 56.3041 requires institutions to cancel these students' eligibility at the end of a year if their final high school transcripts, once received, show that they did not complete the Recommended Curriculum as anticipated on the seventh semester transcript. If these students can meet the collegiate academic requirements of the award, they should be allowed to continue receiving grants.

4. Change the academic progress requirement for the TEXAS Grant II Program to conform with those of the TEXAS Grant and BOT Loan Programs. This action will ensure consistent academic progress requirements in state programs so students will know what is expected of them and to ease the administration of the programs. Unlike the TEXAS Grant Program, the TEXAS Grant II Program does not require recipients to have completed the Recommended High School Curriculum. Therefore, students who receive TEXAS Grant II awards are typically less prepared for college than TEXAS Grant recipients. However, the continuation award requirements for TGII are more stringent than those for the TEXAS Grant. For those reasons, the TGII requirements should be changed to equal those of the TEXAS Grant and BOT Loan Programs.

5. Change the employer contribution requirements of the Texas College Work-Study Program to match those of the much larger Federal Work-Study Program. When the state work-study program was created, the federal government required nonprofit employers to provide 30 percent of the earnings of their work-study program and for-

profit employers to provide 50 percent. The state's matching requirements were set at the same amounts.

The federal government dropped its matching requirement for non-profit employers to 25 percent but the state matching requirement has never been changed. As a result, if a student is employed through the state program in fall and spring and has eligibility to continue in the federal work-study program in summer, he or she cannot participate in the federal program until the institution and the employer negotiate a new contract. Consistency between the federal and state program with regard to matching requirements will vastly increase students' ability to remain continuously employed, even when state or federal funds are depleted.

6. TEXAS Grant II Program. Two additional recommendations (beyond the recommendation regarding academic progress, mentioned in Recommendation 4, above), are suggested for this program, and they are presented by priority below.

a) Provide the same hardship provisions for students receiving awards through the TEXAS Grant II Program as are available for students in the TEXAS Grant Program. Students in the TEXAS Grant Program may be granted an extension of eligibility in the case of hardship if the financial aid officer concludes that a student fell below program academic progress requirements as a result of a personal or family emergency. Emergencies occur, and financial aid officers should be allowed the same professional judgment options in the TEXAS Grant II Program as in the TEXAS Grant Program.

b) Rename the TEXAS Grant II Program to eliminate confusion with the TEXAS Grant Program. The general public is confused about the TEXAS Grant II Program and how it relates to the different TEXAS Grant Program. This confusion would be reduced if TEXAS Grant II were easier to distinguish from the much larger TEXAS Grant Program. The committee suggests giving TEXAS Grant II a different name. We suggest "Texas Educational Opportunity Grant."

7. Hinson-Hazlewood College Student Loan Program (HHCSLP). Adjust HHCSLP so it may better serve Texas students and support efforts to close the gaps in participation and success by doing the following:

a) Extend the program's statutory authority to allow the use of the federal Lender's Special Allowance to pay not only for administering loan and grant programs but also to fund awards to students through the TEXAS Grant or other state financial aid programs.

b) Expand the HHCSLP definition of "eligible institutions" to include alternative teacher certification programs offered through Regional Service Centers and other entitles. The state has a shortage of teachers, and is meeting some of that need through alternative teacher certification programs offered through Regional Service Centers and other entitles that are not defined in current HHCSLP statutes as "eligible institutions."

c) Adjust HHCSLP statutes to allow the Coordinating Board to set the repayment period to match industry standards if the fiscal integrity of the program remains protected. The program's 10-year loan repayment period was established in 1971, while the industry standard for educational loans is now 15 years.

B. Related to Other State Programs

1. If it proves to be beneficial to institutions of higher education in Texas, encourage the Texas congressional delegation to support the provisions of HR 4283, the College Access and Opportunity Act (or similar legislation), that require the use of a new formula for distributing federal campus-based funds among institutions. Current formulas used for distributing Federal Work-Study Funds, Supplemental Educational Opportunity Grants, and Perkins Loans [Section 413 (D) of the Higher Education Amendments] were last updated 10 years ago. The formula allocates funds based, in large part, on when an institution began participating in one of the programs and in which state the institution is located. Population growth patterns and institutions' missions are not considered, although only five states (of which Texas is one) are expected to accommodate 67 percent of the nation's projected increase in college-age youth in the years 2000-2015.²⁵ The bill would phase out the current formula to provide lower-cost institutions and their students a more equitable share of these federal funds. In 2003, Texas received \$145.6 million of the \$1.9 billion in funds distributed through these programs.

2. Reduce confusing or conflicting requirements, lessen the administrative burden, and speed delivery of aid to students through amendments to the following programs:

- a) The Early High School Graduation Scholarship Program provides free tuition and mandatory fees to students who either graduate early from high school or who graduate with a significant number of college hours.
 - During the 78th Texas Legislature, two conflicting bills regarding the Early High School Graduation Scholarship Program were enrolled on the same day. House Bill 1882 is effective for students graduating from high school on or after September 1, 2003. Senate Bill 1366 has conflicting language that appears to apply to students who enter ninth grade in fall 2003 or later, and therefore would not affect awards to students until they begin to graduate, probably in spring 2006. The Coordinating Board wrote rules for making awards in compliance with the provisions of House Bill 1882 since it affected awards made to students beginning with fall 2003. If the provisions from Senate Bill 1366 are not repealed, there will be confusion as students starting ninth grade in fall 2003 begin to graduate. Therefore, repeal the first of the two sections of Texas Education Code Section 56.203, which codified Senate Bill 1366.
- b) The Educational Aide Exemption Program is designed to increase the state's supply of teachers by encouraging previous educational aides to enroll in college and acquire teaching certificates. Three recommendations for changing the program are presented below in descending priority order:
 - Adjust the statute for the Educational Aide Exemption Program (Texas Education Code, Section 54.214) to indicate that the year of work as an educational aide is only a requirement for receiving a recipient's initial award in the program. The current statute requires an individual to have

²⁵ Anthony P. Carnevale and Richard A. Fry, "The Democratic Window of Opportunity: College Access and Diversity in the New Century," Condition of Access. Higher Education for Lower Income Students, Donald E. Heller, editor, American Council on Education, 2002, p. 141.

been employed as an educational aide one of the five years previous to receiving the exemption. As a result, an otherwise eligible student who was an aide two years before entering the program, but who is now employed in some other capacity, has to drop out of the exemption program after two years' progress toward a teaching certificate because he or she can no longer claim to have been employed as an aide one of the previous five years. The student must then work for a year as an educational aide to regain eligibility for future exemptions.

- Adjust the statute for the Educational Aide Exemption Program (Texas Education Code, Section 54.214) so that students in the program may be exempted from class fees. The current exemption is for "tuition and fees, other than class or laboratory fees." There is no statutory definition of "class fees," and institutions are not sure which charges, other than laboratory fees, to exclude from the exemption.
- Modify the statute for the Educational Aide Exemption Program (Texas Education Code, Section 54.214) to allow awards to students attending private or independent institutions of higher education if the institutions are willing to match state funds, as in the Early High School Graduation Scholarship Program. The award amount at the independent institution could be based on public university averages. This change would be an efficient and cost-effective way for the state to encourage more people to pursue teaching careers.

c) The Bordering State Waiver. Adjust Section 54.0601 of the Texas Education Code (Nonresident Tuition Rates at Certain Institutions) to reflect legislative intent that the waiver be limited to undergraduate students and to extend the program to include public health-related institutions.

- This waiver program allows certain state universities to allow students from neighboring states to pay the Texas resident tuition rate. Coordinating Board policy currently limits this waiver to undergraduates based on legislative intent expressed when the Legislature authorized the waiver.
- Current law extends the waiver to students beginning studies in nursing at Texas Tech University. However, those students lose the waiver and must pay nonresident tuition when they transfer across the street to Texas Tech Health Sciences Center to complete their undergraduate nursing studies. Although few students are affected, the impact is significant for each of them. Extending the waiver program to include public health-related institutions would help Texas produce more health professionals and facilitate better student understanding of the waiver.

d) The Tuition Assistance Program for Members of State Military Forces (National Guard) (Texas Government Code, Section 431.090, and Texas Education Code, Subchapter D, Section 54.2155). Assign full administration of the program to the Texas National Guard. The National Guard Tuition Assistance Program provides free tuition to certain members of the Texas National Guard or Texas State Guard. Currently, statutes require the National Guard to write program rules and select recipients for the program and the Coordinating Board to certify the adequacy of funding, notify institutions, and issue funds. Although the two agencies cooperate well together, splitting these responsibilities delays delivery of funds to students and creates confusion about

who resolves problems. The National Guard already administers a similar program funded by the federal government.

3. Expand the state's tuition rebate program to include students who graduate on time as defined by the calendar as well as by the number of hours attempted; increase the value of the rebate and appropriate funds to meet program costs. The program, authorized in Texas Education Code Section 54.0065, provides students a tuition rebate of \$1,000 if they complete their bachelor's degrees without attempting more than six hours beyond the hours required by their degrees (excluding up to nine hours of credit by examination). Four changes are recommended for this program:

- a) Raise the value of the rebate to make it a stronger incentive;
- b) Reward students for completing their degrees in the right amount of *time*, not only the right number of hours. There will be less demand for classroom space if students complete their studies sooner, and students will avoid the living costs and employment opportunity costs of an additional year of college.
- c) Appropriate funds to reimburse institutions for the awards they make to students. The current system essentially penalizes institutions for student efficiency.
- d) Provide an appropriations bonus or other reward for institutions whose students graduate on time. Good academic advisement should be recognized and rewarded.

4. Extend the flat rate tuition exemption to cover all hours beyond 15 taken in a term to encourage students to graduate on time and give institutions the option of offering a flat rate for students enrolled in 12 hours or more. This program (Texas Education Code, Section 54.010) currently allows students enrolled in 15-18 hours to pay the 15-hour tuition rate.

Expanding the eligibility for a flat tuition rate exemption for all hours beyond 15 can encourage students to graduate on time and/or acquire a broader education. In addition, if institutions had the option of using a flat rate for 12 or more hours, more students might be enticed to enroll in 15 hours per semester, which would help them graduate on time. Satisfactory academic progress is already a requirement of the exemption program.

5. Allow institutions to transfer up to the lesser of 10 percent or \$10,000 of the funds allocated to them among various state grant and work-study programs.

This change would allow institutions to move funds among programs based on demand at the beginning of the year and to adjust state funds to complement funds received from the federal government or other outside sources. The change also would enable institutions to aggregate the funds and efficiently disburse them by making one or more awards in a single program at the end of the year when they have small balances in several programs.

State appropriations are provided separately for each program. In turn, the Coordinating Board allocates the funds individually, issuing funds from each program to each participating institution. The institutions are required to "zero out" fund balances in each program by the end of the year. Through budget execution authority, the Coordinating Board can move up to 25 percent of appropriated funds from one program to another, but this option has rarely been used. The proposal would allow such transfers regularly while limiting them to no more than 10 percent of appropriations.

The federal government allows institutions participating in certain programs to transfer up to 10 percent of their funds from one program to another at any time during the year. This allows institutions to accommodate fluctuating demand and, at the end of the year, to pool small balances for easy awarding to students.

Under these circumstances, no institution receives more than its share of the total funds, but each institution can adjust its allocations among programs to better serve the needs of its students. Similar provisions in state programs would increase program efficiencies and allow institutions to meet student needs more efficiently.

6. To optimize the use of state funds and simplify operations for students and institutions, consolidate or transfer funds for certain programs into other programs:

a) Use funds currently appropriated for the Public Student Incentive Grant (PSIG) to increase funding for the state's work-study program, to match federal funds for nurse practitioners, and to enhance funding for future nurse faculty members. PSIG exists only as a line item in the Coordinating Board's section of the General Appropriations Act and was added to provide state matching funds for federal grants for students attending public institutions. Now that TEXAS Grants can provide the match, the \$1,433,000 appropriated for PSIG could be more effectively used if split as follows:

- Appropriate \$683,000 to the Texas College Work-Study Program, where state funds leverage employer contributions to generate approximately \$977,000 in student earnings.
- Appropriate \$250,000 to the Professional Nursing Loan Repayment Program, where it will attract federal matching funds and produce \$500,000 for awards for nurse practitioners.
- Appropriate \$500,000 to supplement the existing State Nursing Scholarship programs for professional nurses, where it will encourage nurses to pursue a faculty track.

In addition:

- The Coordinating Board should modify its contract with the U.S. Department of Education to use TEXAS Grant funds instead of PSIG funds to match federal dollars in the public institution sector.

b) Allow institutions to issue scholarship funds generated through the Student Deposit Scholarship Program to students through the Texas Public Educational Grant Program (TPEG). The Student Deposit Scholarship Program is authorized under Texas Education Code Section 54.5021. The Texas Public Educational Grant Program is authorized under Texas Education Code Section 56.033. Student eligibility criteria for the two programs are the same. This change would eliminate one program, simplifying program operations and reporting at the institutional level.

c) Allow institutions to issue their License Plate Insignia Scholarship Program funds to students through the TPEG. If an institution prefers issuing the funds generated through the sale of license plates (Texas Transportation Code, Section 504.615) as a separate program, allow it to continue to do so, but provide it the option of consolidating these funds with the TPEG program.

C. Related to Adding Merit to Financial Aid Programs

With a tight budget, the state must look for ways to get “the greatest bang for its bucks,” and one appealing approach is to target limited funds to students with the greatest potential for success in college. Difficulties lie in identifying students with the greatest potential for whom financial aid can make a difference while trying to give all segments of the state’s diverse population an equal opportunity to attend college.

School district tax bases and districts’ subsequent access to resources for educating students vary widely in Texas. As a result, the opportunities for students to receive a strong K-12 education are not equal across the state.

Grade point averages, which appear to be the obvious choice for ranking students, correlate to family earnings, a fact that implies that merit-based aid, if awarded according to GPA, will disproportionately assist higher-income students who typically do not need the aid as much as other students.²⁶ In addition, school districts in Texas have local authority over the way grades and class ranks are calculated. Grading scales are determined locally and there is no standard for handling such things as advanced placement courses. Comparability among schools or school districts is extremely difficult if not impossible.

1. If merit requirements are added to state aid programs, base them on criteria that reflect the student’s ability *in the context of* his or her educational opportunities in P-12. The state should develop an academic performance index for school districts that would enable higher education institutions to clearly identify students with the capacity and motivation to succeed in college. The index should consider:
 - Resources available to students in the school district;
 - Number of advanced placement courses offered by the high school;
 - Average SAT or ACT scores for students from the district; and
 - Average performance of students on standardized state content exams.
2. Phase in any new merit requirements. Incremental changes are necessary to:
 - Give students in the pipeline time to adjust their choices accordingly; and
 - Allow students entering the pipeline time to make appropriate choices.
3. Do not base student eligibility for merit-based aid on a single measure, such as
 - grade point average, because
 - there is no standard grading system in the state;
 - use of grade point average could lead to grade inflation;
 - use of grade point average could encourage students to take easier classes; and
 - grades are not reported on student transcripts.
 - a standardized test, because
 - if the student was ill, performance on a single date could inaccurately affect his or her eligibility for state aid and
 - if the student suffers from test anxiety, performance on tests would inappropriately overshadow performance under other circumstances.

²⁶ Tom Mortensen, “Outspoken Expert Tries to Influence the Debate on Student Aid,” The Chronicle of Higher Education, May 16, 1997.

- rank in class, because Texas high schools range in class size from fewer than a dozen to more than 1,000. Therefore, rank is a function of the number of people in a class (over which the student has no control) and the student's performance relative to the others.

4. Continue to apply a financial need criterion, so that the process will continue to channel funds to students who need them in order to have access to higher education. Use the process to identify the most promising of the needy students. Financial assistance programs can go a long way in enabling students who are enrolled in college to continue their studies and earn degrees. Texas has a good set of basic programs, but they need more funding to enable enough students to participate and succeed in college and enter the educated workforce that will drive the state's economy in the coming years.

The information included in this report can help Texas optimize its current resources. But more work is needed. The Coordinating Board plans to continue to work with the steering committee to identify additional ways to increase the efficiency of financial aid operations. Issues for review are also welcome from legislators, who should channel those requests through the Coordinating Board to ensure consideration.

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Appendix B

The Basics of Financial Aid

In the 2002-2003 academic year, more than 487,000 students attending Texas higher education institutions received more than \$3.3 *billion* in financial assistance. The following description of the financial aid process is offered as a context for the recommendations presented in this paper.

Merit-Based vs Need-Based Financial Aid²⁷

“Merit-based aid” or “performance-based aid” (e.g., an athletic scholarship) is a financial award given to a student based simply on his or her talent, skill, or performance (regardless of the student’s financial situation). A millionaire’s child can receive the award, as can the child of a migrant worker, as long as he or she meets the award’s eligibility requirements.

“Need-based aid” is awarded primarily on the basis of the student’s need for financial assistance to have access to higher education. Most need-based aid also has academic requirements such as grade point averages (GPAs) and course completion rates. However, an individual without financial need cannot receive such aid.

Nationally, debates continue about the relative benefits of these two types of aid. Proponents characterize merit-based aid as a tool for retaining highly qualified students who might otherwise be wooed to institutions in other states by offers of such aid. Proponents also see merit-based aid as a means of rewarding students for high academic, artistic, or athletic achievement while in high school or college. Supporters of need-based aid emphasize that it provides access to higher education for low- and middle-income students.

According to a recent Lumina Foundation study, “Need-based grants had a stronger influence [on enrollment rates] than any other financial variable [for state higher education]...”²⁸ In Texas, where future growth in the college-age population is expected primarily in low-income population sectors, need-based aid is likely to be the most effective way of using state financial aid dollars. For this reason, this report concentrates on need-based aid in Texas.

Who Should Pay for College?

Need-based aid is based on the premise that the student and his or her *family* have primary responsibility for paying for his or her education. Families with more discretionary income should have more money available for college than families with fewer resources.

A student’s family has primary responsibility for paying for his or her education.

The amount of a family’s discretionary income available for higher education is measured by a federal financial analysis tool called “the federal methodology.” Its calculations are based on information provided by each family on the Free Application for Federal Student Aid (FAFSA). This financial analysis system derives the amount of discretionary income available for higher education, called the Expected Family Contribution (EFC), for each student.

²⁷ Appendix C is a Glossary of Financial Aid Terms.

²⁸ Expanding College Access: The Impact of State Finance Strategies; Lumina Foundation for Education, 2004, page 2.

Because it is sensitive to factors such as family size, assets and number of students in college, EFC is a better measure of financial need than income. Who needs financial help more, someone earning \$34,000 or someone earning half that much? In determining eligibility for benefits through the Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC Program), the Texas Department of Health considers families equally needy when a family of four has an income of \$34,873 and a family of one has the \$17,224. Income alone is not a good measure of wealth or poverty.

Expected Family Contribution
EFC is a measure of a family's discretionary income available for paying for college.

To calculate a student's financial need, the college financial aid office subtracts the student's EFC from the institution's Cost of Attendance (a sum of tuition, fees, books, supplies, room and board, transportation and personal expenses). This calculation demonstrates that some families have *no* need, while other families must rely *totally* on outside sources, and need might vary, depending on costs to attend different institutions.

Cost of Attendance
- Expected Family Contribution
Financial Need

Higher education financial aid officers use federal, state, institutional and private financial aid resources to help fill the gap between the family resources and the cost of attending college.

The Real Cost of Attending College

In 2003-2004, the average "sticker price" was \$13,700 for attending public universities in Texas for nine months, \$10,000 for community colleges, and \$20,550 for private and independent institutions.²⁹

9-Month Costs for College

*Public university -- \$13,700
Public community college -- \$10,000
Independent institution -- \$20,550*

Many families are concerned by these figures and sometimes decide college is too expensive. However, there can be a significant difference between the sticker price and the net price, which is the amount a student ultimately pays. The sticker price is based on charges for a single student living off campus in an apartment. Students can save by:

- Getting roommates
- Living with parents
- Living in campus housing (usually, but not always, less expensive than an apartment)

²⁹ The quoted figures are unweighted averages, and include allowances for tuition, fees, books, supplies, room, board, transportation, and incidental personal expenses. Source: Texas Higher Education Coordinating Board, Student Budgets submitted by Institution Financial Aid Officers for 2003-2004.

The sticker price assumes the student is taking a course load of 12 or more hours per semester. Some students take fewer hours in order to work while attending college. Finally, financial aid programs reduce the financial burden on students and their families.

“Packaging” and Awarding Financial Aid

After a financial aid office determines a student’s need, it compares the student’s attributes (such as residency, level of enrollment, and academic performance) to the eligibility requirements of financial aid programs for which funds remain available. Students whose applications are completed by the institution’s priority deadline will be considered for aid from the greatest number of programs. Late applicants will be considered for awards from only the programs with remaining funds.

The financial aid office then constructs a “package” of financial aid (an assortment of awards to offer the student) and notifies the student through an award letter, offering this aid to the student. The student has the right to reject or accept any part of the offered awards, but must notify the college of his or her acceptance, typically by a stated deadline. Declined funds are then available for other students. (See the chart on page 36.)

Types of Financial Aid

There are two types of financial aid: “gift aid” and “self-help.” An award package usually includes both.

“Self-help” programs require employment, repayment or performance of a service. They include:

- *work-study* – part-time jobs awarded on the basis of need; and
- *loans* – funds that are borrowed and paid back, usually with interest.³⁰

“Self-Help” includes

- *work-study*
- *loans*

“Gift aid” programs do not require the student to perform a service or repay the funds. They include:

- *grants* – “free” money generally awarded on the basis of financial need;
- *scholarships* – “free” money that is awarded on the basis of academic achievement, talent or skill;
- *categorical aid* – “free” money acquired by the student prior to entering college (such as Parent Teacher Organization scholarships); and
- *exemptions, waivers and discounts* – reductions in tuition and/or fees due to institutional or state policy decisions.

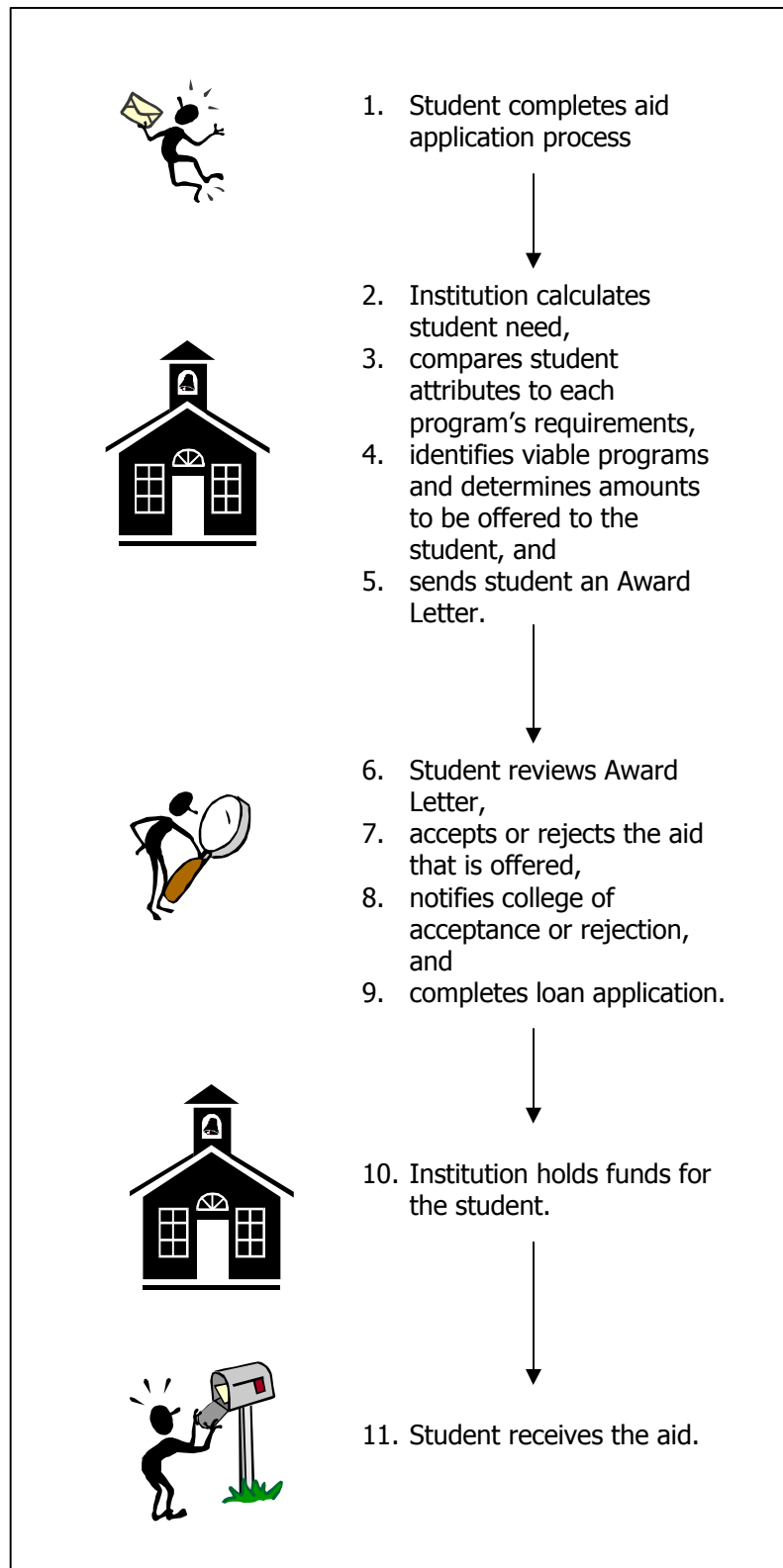
“Gift Aid” includes

- *grants*
- *scholarships*
- *categorical aid*
- *exemptions and waivers*

The table and pie charts on page 12 reflect the types of aid received by students in Texas in 2002-2003.

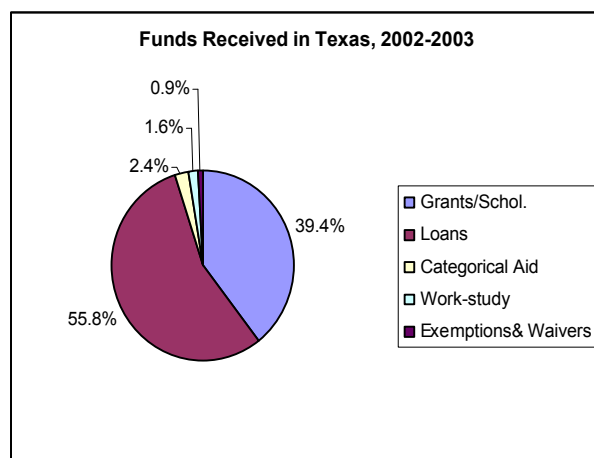
³⁰ Two other types of self-help exist: *loan repayment programs* that pay off a portion of an individual’s outstanding student balance in return for his or her service and *loan forgiveness programs* that convert to grants if the student fulfills certain obligations. Loan repayment programs are not included in this report because they are made to individuals after they leave college, and loan forgiveness programs are not included because of their extremely low volume.

The Financial Aid Award Cycle

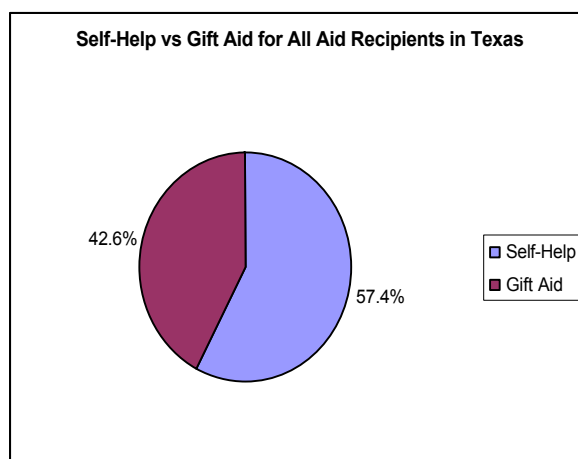


Funds Received by Students³¹ in Texas, 2002-2003

All Students			
Grants/Scholarships	\$1,362,645,105	Self-Help	\$1,987,601,660
Loans	\$1,931,719,460	Gift Aid	\$1,475,216,533
Categorical Aid	\$82,622,616		\$3,462,818,193
Work-Study	\$55,882,200		
Exemptions and Waivers	\$29,948,812		
			\$3,462,818,193



*Percentages do not add up to 100% due to rounding.



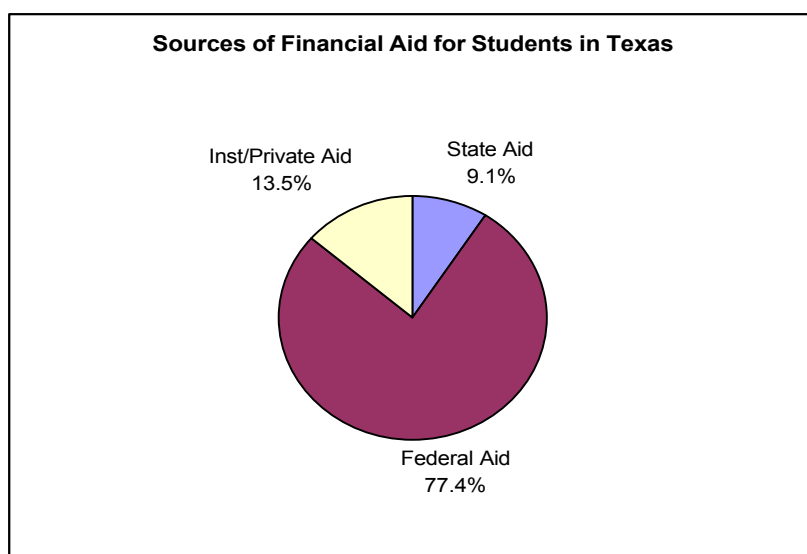
³¹ Statistics in this report reflect financial aid for financially needy students attending non-profit public, private, and independent institutions of higher education and who received at least one type of need-based financial aid. They do not include information for students attending proprietary (for-profit) institutions. They include unsubsidized or alternate loan data only if the recipient also received subsidized loans or other need-based aid.

Sources of Financial Aid

The federal government is the source of most of the aid received by students in Texas. Of the \$3.3 billion in aid received by Texas students in 2002-2003:¹¹

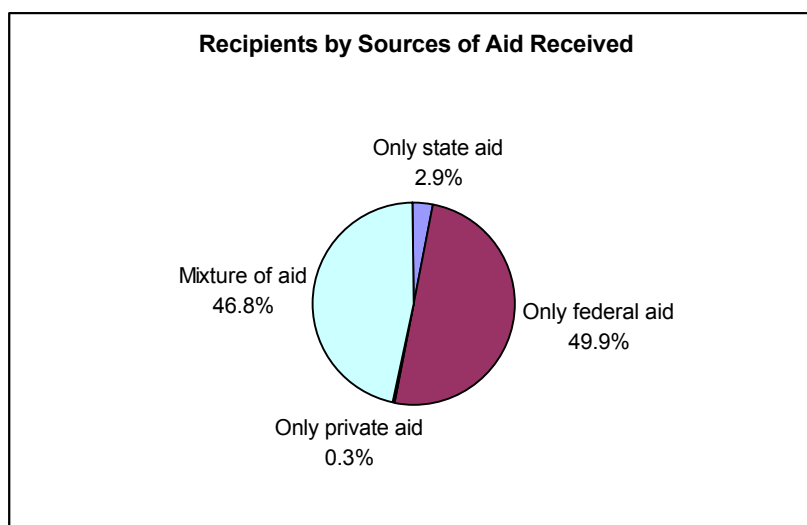
- Federal need-based aid totaled more than \$2.6 billion, or 77.4 percent;
- State aid totaled \$312.4 million, or 9.1 percent; and
- Private and institutional sources totaled \$463.7 million, or 13.5 percent.

State Aid	\$312,375,223	Only state aid	14,332
Federal Aid	\$2,656,776,211	Only federal aid	243,250
Institutional/Private Aid	\$463,717,947	Only private aid	1,703
		Mixture of aid	227,907
	\$3,432,869,381		487,192



Federal aid sets the stage on which state financial aid programs perform.

State aid represents only 9.1 percent of the aid received by students in Texas.



In 2002-2003, only 2.9 percent of the aid recipient population received only state aid, while 60.1 percent of the aid recipients received no state aid at all.

*Percentages do not add up to 100% due to rounding.

The Growing Demand for Aid

In 2002-2003, approximately 1.1 million students attended non-profit public or independent (private) colleges and universities in Texas, and 44.1 percent of them received some type of need-based aid. As outlined in *Closing the Gaps by 2015*, the state's higher education plan,³² Texas must encourage and facilitate the enrollment of 500,000 more students by 2015.

These additional students are needed to raise the current college-going rate in Texas from 5 percent to 5.7 percent – slightly above participation rates in Michigan and New York, two benchmark states for Texas.

Texas has a rapidly-growing cohort of college-age students age 18 to 24. Unlike in the past, however, much of this growth is among the state's Hispanic and Black populations. Unfortunately, members of these populations have typically attended college at lower rates and have earned lower wages than members of the Anglo population, both nationally and in Texas.³³

Income is directly related to education. Therefore, it is in the state's interest to encourage and enable the growing college-age cohort to obtain a higher education. If Texas fails to raise its college participation and completion rate to that of other comparable states, it will face a future of increased poverty and economic decline.³⁴

The *College for Texans* Campaign, launched in 2002, has raised financial aid and higher education awareness in Texas. Enrollments, queries about financial aid, and the number of financial aid applications completed have increased since the campaign's inception.

A significant portion of the additional students Texas will enroll to meet its goals will come from lower-income, minority families that will be extremely dependent on financial aid. Using conservative estimates, 250,000 of the additional 500,000 students will need financial assistance. At current rates, these

College Participation Rates, 2000

<i>Anglo population</i>	5.1 percent
<i>Hispanic population</i>	3.7 percent
<i>Black population</i>	4.6 percent
Texas average	5.0 percent

<i>California</i>	6.0 percent
<i>Illinois</i>	6.0 percent
<i>Michigan</i>	5.7 percent
<i>New York</i>	5.6 percent
National Average	5.4 percent

Source: *Closing the Gaps by 2015*, Texas Higher Education Coordinating Board, 2000

The More You Learn; the More You Earn!

<i>Doctorate</i>	\$75,182
<i>Master's degree</i>	\$56,589
<i>Bachelor's degree</i>	\$46,969
<i>Associate degree</i>	\$36,399
<i>Some college, no degree</i>	\$34,340
<i>H.S. diploma or GED</i>	\$29,187
<i>Some H.S., no degree</i>	\$22,350

Source: *Average Annual Income by Educational Attainment, Current Population Survey (CPS, Mar. 2002)*, U.S. Census Bureau

At current rates, an additional \$1.5 billion per year in financial aid will be needed in Texas by 2015 to assist new students.

³² *Closing the Gaps by 2015*, Texas Higher Education Coordinating Board, 2000.

³³ In 2000, the White college enrollment rate was 5.1 percent, the Hispanic rate was 3.6 percent and the Black rate was 4.6 percent. Source: *Closing the Gaps by 2015*, page 9.

³⁴ "The educational disparity among Anglos and Hispanics and African Americans is historic and will not be corrected in our lifetimes. We can seek to reduce that disparity and continue to prosper, or we can let that disparity widen and watch the rest of the United States leave us in self-inflicted poverty." Former Lt. Governor Hobby, in the Forward to *The New Texas Challenge*, Steve H. Murdock et. al., 2003.

students will require an increase of \$1.5 *billion* in the annual supply of student aid.

Because of record budget deficits projected by the Congressional Budget Office and Office of Management and Budget and the federal government's shift from an emphasis on domestic programs toward increased expenditures on national defense and homeland security, significant increases in federal student aid programs in the near future are highly unlikely. With few exceptions, annual federal appropriations for student aid programs have remained at 2001 levels.

With few exceptions, annual federal appropriations for federal student aid have remained at 2001 levels.

Financial aid will be a vital tool for enticing students to prepare for, enroll in, and complete their educations. It is imperative for the state to increase its investments in financial aid and to use its financial aid dollars wisely.

Appendix C

Glossary of Financial Aid Terms

Accounts-receivable – the practice of allowing a student to enroll without paying tuition and fees if the funding arrangements have been made and funds are expected soon.

Award letter – a letter from an institution to a financial aid applicant, informing the applicant of the amounts and types of aid available to the student.

Campus-based operations – an approach to administering financial aid in which funds are distributed in a “lump-sum” manner to the participating institution. The institution then makes awards locally to eligible students. The alternative is “centralized processing,” in which institutions submit applications or applicant information to a central processor (such as the Coordinating Board), which then processes the data and issues funds for the students through the institution.

Categorical aid – aid awarded to a student by a third party (other than the financial aid office). An example would be a PTA scholarship.

Central processing of grant applications – an approach to administering financial aid in which institutions submit applications or applicant information to a central processor (such as the Coordinating Board), which then processes the data and issues funds for the students through the institution.

Cost of attendance – a total of tuition, fees, books, supplies, room and board, personal and transportation expenses to be faced by a student; the “costs” associated with attending college for the enrollment period (typically a nine-month period).

Dependent – by state definition, an individual who is claimed as a dependent for federal income tax purposes. Dependent children are eligible for certain types of exemptions based on family circumstances.

Exemptions – in general, state programs that allow Texas residents to enroll at public institutions of higher education in the state while paying either no tuition and fees, or reduced tuition and/or fee charges.

Expected family contribution (EFC) – the amount a family is expected to make available to a student for meeting the cost of attending college. It is calculated on the basis of a federal methodology and is a measure of a family's ability to pay for college.

FAFSA – Free Application for Federal Student Aid, the primary document that financial aid applicants must complete in order to be considered for federal or state need-based financial aid.

Federal methodology – federal formulae for calculating a student's discretionary income available for paying for college, based on information submitted by the student and his/her family on the Free Application for Federal Student Aid.

Full-time enrollment – for undergraduates, enrollment for the equivalent of 12 semester credit hours; for graduates, enrollment for the equivalent of nine semester credit hours.

Gift aid – financial assistance that does not require repayment, such as grants, scholarships, most exemptions and waivers, and categorical aid.

Grants – a type of financial aid that is “gift aid” (aid that is not repaid and is not earned through a service) and that requires the recipient to show financial need.

Gross need – the amount of need a student has before financial aid is awarded as determined by the cost of attendance (COA) minus the expected family contribution (EFC).

Half-time (1/2) enrollment – for undergraduates, enrollment for the equivalent of six semester credit hours; for graduates, enrollment for the equivalent of 4.5 semester credit hours.

Loan repayment program – a program through which payment is made against an individual’s outstanding educational loan in exchange for a service (such as employment as a teacher in a shortage area).

Loans – a type of financial aid that is “self-help” (aid that the student must repay over time, usually with interest).

Matching funds – funds used to leverage the corpus of a financial aid program. For example, the federal Leveraging Educational Assistance Grant Program (LEAP) can only be received by a student in Texas if the state provides an equal amount of aid to the student. In the Texas College Work-Study Program, employers must match state funds. At present, 70 percent of a student’s earnings through a nonprofit employer participating in the program will be state funds and the remaining 30 percent will be paid by the employer. Thus, for \$2 million in state funds, students earn approximately \$2.8 million.

Merit-based aid – a type of financial aid that is “gift aid” (aid that is not repaid or earned through a service) and does not require the recipient to show financial need.

Need – a gap in a student’s financial resources, meaning that his or her resources are less than the cost of attending his or her institution.

Need-based aid – a type of financial aid awarded based on an assessment of the student’s ability to pay for college. The amount awarded through such a program, when added to other resources available to the student, may not exceed the cost of attendance (COA).

Packaging financial aid – the process by which financial aid officers match student attributes to the eligibility requirements of individual financial aid programs and determine the programs and amounts the institution will offer the student. The process is generally grounded in an institution’s “packaging philosophy,” or goals, such as to make sure all needy students receive enough gift aid to cover a certain percent of their need.

Part-time enrollment – enrollment for less than a full-time load of courses.

Professional judgment – flexibility in a financial aid program that allows the financial aid administrator at an institution to exercise some judgment in the application of certain program requirements to an individual (usually in the case of student hardship or extenuating circumstances). For example, a financial aid officer may allow a student to continue in the TEXAS Grant program although his or her course completion rate dropped below 75 percent if the student was in an automobile accident and had to drop some courses.

Rebate – in Texas financial aid, a \$1,000 tuition refund to a student who completes his or her bachelor's degree while attempting no more than three semester credit hours (excluding up to nine hours by examination) in excess of his or her degree plan requirements.

Recommended curriculum (Recommended High School Program) – in Texas, a set of high school courses considered to be the basic college-preparatory track. High school students wishing to compete for awards through the TEXAS Grant or Texas B-On-Time Loan Program must have completed the Recommended High School Program (or a higher plan).

Resident – an individual who is eligible to pay the resident tuition rate, as determined in keeping with Coordinating Board rules, based on state statutes.

Satisfactory academic progress (SAP) – a measure of a student's progress toward the completion of his or her program of study. Usually includes a grade point average (GPA) component and a course completion rate component.

Scholarships -- a type of merit-based financial aid that is "gift aid" (aid that is not repaid or earned through a service). It usually does not require the recipient to show financial need.

Self-help – types of aid that require the recipient to perform some service or make repayment. The most common types are loans, work-study programs, and loan repayment programs.

Subsidized loan – a loan offered by the federal government through which interest is paid by the federal government while the student is still enrolled in college on at least a half-time basis.

Three-quarter (3/4) time enrollment – for undergraduates, enrollment for the equivalent of nine semester hours per semester; for graduates, enrollment for the equivalent of six semester credit hours per semester.

Tuition – basic charges for attending college. At public universities in Texas this now includes statutory (base) tuition, designated tuition, and board-authorized tuition (for graduate students only).

UB (unexpended balance) – a state financial policy that allows state-funded entities to carry funds that are unexpended, at the end of a state fiscal year, to the following year.

Unsubsidized loan – a loan that does not have an interest subsidy while the student is enrolled in college. The student (or student's family) is required to pay such interest.

Waivers – in Texas, programs that allow nonresident or foreign individuals to register and attend public institutions of higher education while paying the Texas resident rate, or a lowered nonresident rate.

Work-Study – a type of financial aid that is "self-help" and that functions in the form of part-time jobs awarded on the basis of a student's financial need.

Appendix D

State Exemption and Waiver Programs

The Coordinating Board should be directed to appoint an advisory committee of representatives from the Texas Association of Collegiate Registrars and Admissions Officers, the Texas Association of Student Financial Aid Administrators, and others to draft streamlined and consistent language for the state's exemption and waiver programs.

Exemption programs allow Texas residents to enroll while paying reduced tuition and fee charges. Program values range from three hours' tuition to a student's lifetime of free tuition and fees. In Fiscal Year 2003, 76,900 students received awards through the state's exemption programs. These exemptions totaled \$34.4 million in foregone tuition and/or fee charges.

Waiver programs allow nonresidents to enroll in Texas institutions while paying the resident tuition rate. In Fiscal Year 2003, 50,577 students received awards through the state's waiver programs. These waivers totaled \$162 million in foregone tuition.

Table A lists exemption programs and their unique values and tenure. Table B lists waiver programs.

Table A. Exemptions			
Citation	Target Population	Value	Length of Eligibility
§54.0510.	Students enrolled for more than 15 hours	Up to 3 hours' tuition	Eligibility is established one semester at a time
§54.0513. (d)	Needy students	Value of designated tuition	If fee causes an undue economic hardship
§54.067.	Senior citizens 55 or older	"Lowered" tuition rates, may vary by program	No limit
§54.201.	Highest ranking high school graduate	Tuition	Two regular semesters
§54.203.	Texas veterans (Hazlewood Act)	Tuition and fees other than property deposit and student service fees	150 semester credit hours
§54.204.	Children of disabled firemen and peace officers, etc.	Tuition and fees other than property deposit fees	First 120 undergraduate hours for which person registers
§54.2041.	Disabled peace officers	Tuition and fees in Chapter 54 (excludes property deposit fees)	12 semesters as undergraduate, one master's degree, one doctoral degree
§54.205.	Blind or deaf students	All tuition and fees	While enrolled in a certificate or degree program or courses leading to professional enhancement
§54.208.	Firemen	Tuition and lab fees	For courses offered as part of a fire science curriculum

Table A. Exemptions, continued			
Citation	Target Population	Value	Length of Eligibility
§54.209.	Children of POWs, MIA's	Tuition and fees other than property deposit fees	Until age 21 or age 25 if still receiving support from parent.
§54.210. (b)	Senior citizens 65 or older	No payment of "fee"	For audited courses, on a space-available basis
§54.210. (c)	Senior citizens 65 or older	Tuition	For up to six hours/term on a space-available basis
§54.211.	Foster or residential care	Tuition and fees in Chapter 54 (excludes property deposit fees)	No limit
§54.2111.	Adopted students formerly in foster care	Tuition and fees in Chapter 54 (excludes property deposit fees)	No limit
§54.212.	Certain TANF (Temporary Assistance to Needy Family) Students	Tuition and fees in Chapter 54 (excludes property deposit fees)	During first academic year in college
§54.214.	Educational aides	Tuition and fees other than lab and class fees	While enrolled in classes leading to teacher certification
§54.2155.	Members of National Guard	Tuition only	Up to 12 hours per term for up to four full academic years
§54.216.	High school students concurrently enrolled in college	All or part of tuition and fee charges	While concurrently enrolled
§54.218.	Distance-learning students	Waiver of any fee	If student cannot reasonably use the services on which the fee is based
§54.219.	Ex-Prisoners of War	Tuition and required fees other than property deposit fees; books and supplies stipend; room and board stipend	120 semester credit hours
§54.503. (e)	Needy students	Student Service fee	If fee causes an undue economic hardship
§54.503. (g)	Students enrolled in two colleges in same system	Waiver of compulsory student services fees	While concurrently enrolled
§130.008.	High school students concurrently enrolled in a community college	The "tuition fee"	While concurrently enrolled
TX Gov. Code §615.0225.	Spouses and children of deceased public servants	Tuition and fees; plus textbook stipend; plus room and board stipend	Until acquires bachelor's degree or 200 hours

Table B. Waivers			
Citation	Short Title	Target Population	Reciprocity required of the home state?
TEC §160.07	Academic Common Market	For graduate students from Southern states in programs not offered in their own state.	Yes
§54.058	Military and their dependents	<ul style="list-style-type: none"> • Those stationed here • Those now stationed elsewhere, but stationed here in the immediate past • Spouse or child of member, if they provide inst. a letter of intent to make Texas their home • Spouse or child of member if stationed her for 6 months in the past • Spouse or child of member who died or was killed within previous 60 days • Former member who moves to TX within 12 months of separation from the service 	No
§54.059	Teachers and professors	College or university teachers and professors, their spouses and children	No
§54.060 (a)	Students from bordering states	<ul style="list-style-type: none"> • From Arkansas, Louisiana, New Mexico or Oklahoma in certain institutions located in counties adjacent to the home state • From New Mexico or Oklahoma in technical colleges within 100 miles from home state 	Yes
§54.060 (b)	Needy citizens of Mexico	<ul style="list-style-type: none"> • If enrolled in universities located in counties adjacent to Mexico, or other specifically-named institutions • If enrolled in a graduate degree program in public health and enrolled in an institution in a county adjacent to Mexico 	No
§54.060 (b)	Needy citizens of Mexico	If enrolled in universities located away from the border, limited to two students per 1,000 enrollment	No
§54.060 (g)	Students from bordering states	From adjacent county or parish of Arkansas, Louisiana, New Mexico or Oklahoma if enrolls in a public institution of higher education that chooses to participate.	Yes
§54.063	Teaching or research assistants	College or university research or teaching assistants, their spouses and children	No

Table B. Waivers, Continued			
Citation	Short Title	Target Population	Reciprocity required of the home state?
§54.064	Competitive scholarship recipient	Recipient of competitive academic or athletic scholarships valued at \$1,000 or more	No
§54.065	Competitive scholarship recipient	If simultaneously enrolled in a clinical biomedical research training program leading to both a Doctor of Medicine and Doctor of Philosophy degree	No
§54.052 (h)	Economic Diversification Program	Persons transferred here by companies moving here under an agreement with the Texas Department of Commerce; also applies to family members.	No
§54.057 (b)	NATO forces	Persons stationed here as a part of NATO forces and their spouse and children	No
§54.058 (h)	Radiological science students	If in the U. S. Air Force, and started their studies at Midwestern State University	No
§54.0601	Students from bordering states	If attending universities located within 100 miles of the Texas border. (Allowed to pay a lowered tuition rate, but not the resident rate.)	No
§54.069	Nurses in graduate programs	If intends to teach in a program in Texas that prepares students for licensure as registered nurses	No
§54.070	Foreign Service Officers	If assigned to a U.S. Department of State office in Mexico	No
§54.207	Good Neighbor Scholarship	Citizens of countries of Western Hemisphere who plan to return to their countries after their studies. (Recipients pay no tuition.)	No
§54.055	Dependent children of previous residents	If enrolled in a public institution of higher education before parents move out of state	No
§130.0032	Persons with property in taxing district	<ul style="list-style-type: none"> • If reside outside taxing district, but have property in district • If resides in a contiguous community college taxing district • If in service area, has need, etc. 	No